FINANCIAL TIMES

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THURSDAY MARCH 25 1999

Eureka? Remember cold fusion and act with caution Science, Page 12

Telecom Italia and Olivetti What shareholders think of the takeover plan Page 18

China Why foreign investors are running out of patience Page 15

Malaysia Still rowing against the liberal current Page 6

WORLD NEWS

UK's highest court rules Pinochet can face extradition bid

Britain seemed set yesterday to back continued Spanish attempts to extradite General Augusto Pinochet, the former Chilean dictator accused of crimes against humanity. An important court ruling weakens the case against him, but officials said home secretary Jack Straw was unlikely to reverse his previous approval of the extradition process. Page 16; Reaction, Page 6; Twice damned, Page 14; No hiding place, Page 15

Waiver sought to Iran sanctions The White House is under pressure to grant a one-time waiver of sanctions against Iran to allow the sale of farm products worth $500m . Americas, Page 6

Japan to review its defences Prime minister Keizo Obuchi said Japan would consider strengthening its defence capability after Japanese destroyers gave up chasing two unidentified ships which had intruded into its waters. Asia, Page 4

Killer disease spreads in Malaysia A disease that has killed 58 people in Malaysia has spread to the island of Borneo. Japanese encephalitis is carried by pigs and spreads to humans via mosquitoes. Asia, Page 4

N Ireland body set to go ahead Northern Ireland minister Mo Mowlam indicated she would push ahead with formation of the region's new power-sharing administration on Good Friday despite a continuing row over paramilitary arms. UK, Page 10; Regional aid, Page 3

Ramos vows to clear his name Former Philippine president Fidel Ramos vowed to clear his name after a senate panel urged his prosecution for alleged misuse of state funds.

Paraguay in impeachment move Paraguay's lower house voted for impeachment hearings against President Raul Cubas for not jailing his mentor, Lino Oviedo, convicted for a coup attempt. Picture, Page 5

Democrat bows out of race Civil rights leader the Rev Jesse Jackson, who twice sought Democratic party nomination for the US presidency, said he would not be entering the race.

Pretoria fraud case opens Wouter Basson, South Africa's former head of chemical and biological warfare, was charged with fraud, theft and murder.

Runaway train kills 32 A runaway train bound for the Kenyan port of Mombasa jumped the track and killed at least 32 people, including five foreigners. Another 100 people were injured.

Uproar over Indian insurance India's state-owned General Insurance Corporation dropped a rape clause in a women's insurance policy because of outrage that the government should sell "rape insurance". Asia, Page 4

Sensitive GM food test launched Rank Hovis McDougall subsidiary RHM Technology of the UK launched a test it says can identify even tiny amounts of genetically modified ingredients in processed food.

BUSINESS NEWS

Mediobanca chief faces pressure to stand down

Mediobanca chief executive Vincenzo Maranghi came under increasing pressure from shareholders and bankers to step down to clear the way for a radical restructuring of the Milan investment bank.
Europe, Page 18

Nomura Securities, Japan's biggest broker, was downgraded by the two largest US credit ratings agencies because of concerns over its capital base, earnings and growth prospects. Page 17; Lex, Page 16; Japanese brokerages to merge, Page 23

Elektrim, Poland's largest listed industrial group, announced the $325m cash acquisition of Bresnan Telecommunications Poland, a telecoms and cable television company. Page 17

The Norwegian Bankers' Association called for changes to the country's financial regulations to defend its banking industry from foreign takeovers.
International, Page 21

Telecom Italia brought forward its extraordinary shareholders' meeting to approve its new industrial strategy to fight Olivetti's €53bn ($58bn) hostile bid. Europe, Page 18

Dresdner Bank of Germany had its credit ratings put under review for possible downgrade by rating agency Moody's Investors Service.

Diageo, food and drink group, has put Cruzcampo, its Spanish brewing subsidiary, up for sale – a move likely to attract interest from international brewing groups. UK companies, Page 24

Central European Media Enterprises, pioneer of privately owned commercial television in east Europe, has changed its senior management for the second time in 12 months after heavy losses and a deep fall in share price.
Europe, Page 18

Société Générale and Paribas said their proposed merger would create €258m ($284m) more in annual synergies by 2001, mainly through reduced costs, than they had initially thought.
Europe, Page 18

Mobilcom, one of Germany's fastest-growing new telecommunications companies, saw shares fall by 10 per cent. Europe, Page 18

Air France is shutting its nine European telephone reservation centres and moving to Wembley, London, creating 240 jobs.
UK news, Page 10

FAST, the Norwegian software company that developed the technology used by Lycos, one of the largest US search engine operators, to find songs on the internet, is facing legal action from the music industry for alleged copyright infringement.
Page 16

Lex on Nomura Securities
A shadow of its former self
Page 16

Nato forces bomb Yugoslavia

Explosions heard near Belgrade as cruise missiles strike at military targets

By Alexander Nicoll in London and Guy Dinmore in Belgrade

Nato last night launched air attacks on Yugoslavia in a bid to curb a Serbian offensive in Kosovo and weaken the military apparatus of Slobodan Milosevic, the Yugoslav president.

Announcing shortly after 7pm GMT that air strikes had begun, Bill Clinton, US president, said: "Only firmness now can prevent greater catastrophe later."

Air raid sirens sounded in Belgrade, the Yugoslav capital, and massive explosions were heard to the south of the city. Explosions rocked Pristina, capital of the province of Kosovo, and anti-aircraft fire could be heard.

The attacks began an onslaught by cruise missiles and manned bombers that military officials said was likely to last several days, on a wide range of military targets across Yugoslavia. This was in line with Nato's aim of reducing Serbia's ability to cause a humanitarian catastrophe and weakening its military capabilities.

US officials added that the cruise missiles were fired from US warships and B-52 bombers, and were aimed at air defence installations including missile batteries and radar and communications sites. Military experts said the aim was to disable Yugoslav air defences in order to establish air superiority and reduce the risk of casualties to manned aircraft.

The explosions came as Javier Solana, Nato secretary-general, announced he had been informed by the Supreme Allied Commander Europe, US General Wesley Clark, that the Nato strikes were under way.

"Clear responsibility for the air strikes lies with President Milosevic who has refused to stop his violent action in Kosovo and has refused to negotiate in good faith," Mr Solana said.

British officials said the attacks included missile strikes at installations of the Serb army and special police, as well as at air defence systems.

Underlining that Nato's aim was to prevent a humanitarian disaster in Kosovo – a province of Serbia with an ethnic Albanian majority population – George Robertson, UK defence secretary, said 20,000 people had been forced to leave their homes in Kosovo this week.

British officials said they had evidence that the Serbs planned to conduct "ethnic cleansing" of Kosovo's ethnic Albanian majority. The officials warned that Serbian military commanders who ordered attacks on civilians in Kosovo would be held responsible at the war crimes tribunal in the Hague. "They need to have concerns because we will finger them," said one.

The Nato strikes followed last-minute attempts by Russia to persuade Mr Milosevic to accept a peace agreement under which Nato peace-keeping ground forces would be deployed in Kosovo.

Russia, which has bitterly opposed Nato strikes, said it was calling an emergency session of the United Nations Security Council to try to stop cooperation with Nato. Boris Yeltsin, Russia's president, said on television that Mr Milosevic was a difficult negotiating partner but mediators must keep talking.

Mr Milosevic, in a defiant speech before the attacks began, reiterated his government's rejection of a proposed Nato peacekeeping force for Kosovo. But he expressed willingness to negotiate a political settlement that would respect equal rights of communities.

Additional reporting by Laura Silber at the United Nations and Haig Simonian in Berlin.

'Tragic step' says Yeltsin, Page 2
Lessons of Kosovo, Page 14
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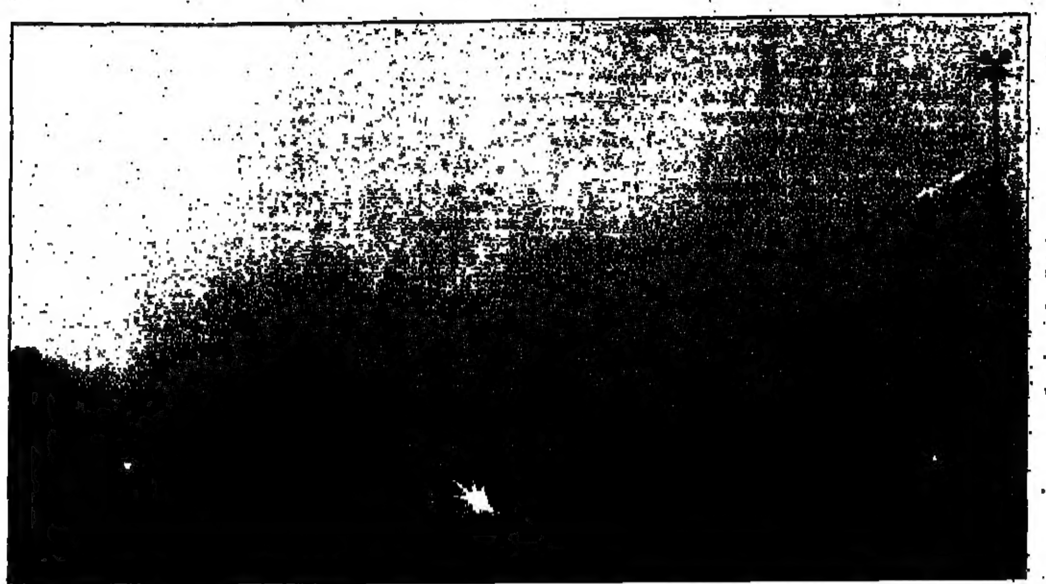

A US B-52 bomber takes off from its UK base at RAF Fairford to launch cruise missiles at Yugoslav targets AP

EU leaders united in choosing Prodi as president

Romano Prodi after his appointment

By Peter Norman, Haig Simonian and Robert Peston in Berlin

European Union leaders yesterday moved swiftly to fill the power vacuum at the top of the European commission by unanimously nominating Romano Prodi, the former Italian prime minister, to succeed Jacques Santer as commission president.

Gerhard Schröder, the German chancellor hosting a special EU summit in Berlin, said the decision was a sign that the EU was capable of action after last week's mass resignation of all 20 commissioners following a damning report on nepotism, fraud and mismanagement in the EU executive body.

Mr Prodi's nomination, which came unexpectedly after less than an hour's discussion, also got the summit off to a positive start before leaders turned to the crisis in Kosovo and difficult negotiations over the EU's future finances, known as Agenda 2000.

Massimo D'Alema, the Italian prime minister, later hinted that the nomination had been stage-managed by Mr Schröder, Tony Blair, the UK prime minister, and Jacques Chirac, the French president.

Mr Schröder made clear that the leaders wanted Mr Prodi to be confirmed in office quickly to start rebuilding the commission's top executive.

Mr Prodi, 59, who was supported by the Italian government and was the only formal candidate for the job, will meet EU leaders early next month to discuss his ideas and those of member states for reform of the commission and for better co-operation among EU institutions.

Mr Schröder said the present parliament, which will be dissolved in May ahead of elections in June, would vet Mr Prodi under the procedures of the EU's Amsterdam treaty, which gives the assembly the right of veto over the appointment.

The treaty has yet to be ratified but the German chancellor said the decision was a sign that the European council, the summit gathering of leaders, wanted to co-operate closely with the parliament, which has grown appreciably in power and prestige.

It was the parliament's rigorous scrutiny of previous investigations into the last commission's behaviour that set in train the events that led to its sudden resignation last week.

While the parliament could accept Mr Prodi as early as next month, it will take longer for a new commission to be appointed. The nomination of commissioners is the responsibility of member states, although under the Amsterdam treaty, the nominated commission president also has a say in their appointment.

Mr Schröder said the new commission president would try to have his team confirmed in July, when the newly elected parliament meets briefly ahead of the summer recess.

Mr Schröder said Mr Prodi, a former university professor and former chairman of Iri, Italy's state holding company, ideally fulfilled the criteria for a new commission president. He had a rich political experience, was an experienced administrator and reformer, possessed undisputed personal integrity and could boast an unusual degree of economic expertise and experience. He was also the right man to enter a close dialogue with the member states over the need for reform of the commission to yield more transparency and openness that would bring Europe closer to its citizens.

Reports, Page 3; Editorial Comment, Page 15; Observer Page 15

China may adopt US phone standard

By James Kynge in Beijing

China is planning to offer a key trade concession to Washington by opening its domestic market to the US mobile phone standard CDMA, raising the prospect of billions of dollars in exports for American companies.

An announcement of Beijing's plans to allow the nationwide provision of CDMA (Code division multiple access) systems is expected around the time that Zhu Rongji, the Chinese premier, visits the US in April.

A Chinese telecoms official cautioned, however, that the announcement could be withheld if Mr Zhu encountered hostility in Washington.

"It depends somewhat on America's attitude. It would be very difficult to grant a concession while they are restricting technology exports to China and accusing us of spying," said the official, who declined to be identified.

European mobile equipment manufacturers, such as Ericsson, Nokia, and Siemens, which produce the GSM standard that currently dominates China's mobile market, stand to lose if permission for CDMA is granted.

Under the plan, China Unicom, the country's second state-owned carrier, would be awarded China's first nationwide CDMA licence this year, the official said. The company has drawn up an ambitious schedule that envisages 40m subscribers by 2003 – requiring capital investment in excess of $10bn.

Since China does not make CDMA technology, US equipment suppliers such as Motorola, Lucent Technologies and Nortel, as well as Samsung, the Korean manufacturer, would see their sales soar in the world's fastest-growing mobile telephone market. China's mobile subscriber base, currently at about 25m, is growing at a rate of 1m a month.

"We are talking in terms of building the biggest CDMA market in the world," said one Unicom executive who recently visited a Lucent Technologies outlet in China with a view to buying equipment.

From a domestic point of view, the adoption of CDMA makes sense on a number of levels, Chinese officials said. First, it could help reduce friction over China's trade surplus with the US, which climbed to $57bn last year. Second, it could boost domestic demand, and third, it would allow Unicom to provide some real competition to China Telecom, an inefficient leviathan.

Double standard, Page 7

WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,881.29	(-10.54)
NASDAQ Composite	2,321.10	(-1.74)
Europe and Far East		
CAC40	4,058.16	(-21.31)
DAX	4,780.13	(-134.90)
FTSE 100	6,016.7	(-43.8)
FTSE Eurotop 300	1,217.39	(-11.43)
Nikkei	15,515.47	(-503.63)
US LUNCHTIME RATES		
Federal Funds	4.875%	
3-mth Treas Bills: Yld	4.51%	
Long Bond	$95\frac{13}{16}$	
Yield	5.54%	
OTHER RATES		
UK: 3-mo Interbank	$5\frac{1}{4}$%	($5\frac{1}{4}$)
UK: 10 yr Gilt	110.3415	(110.74)
Euro Euribor	3.014%	(3.019)
Germany: 10 yr Bund	98.05	(98.25)
Japan: 10 yr JGB	100.309	(101.058)
NORTH SEA OIL (Argus)		
Brent Dated	$13.32	(13.605)

GOLD		
New York Comex (Mar)	$283.9	(284.4)
London:	$284.15	(283.75)
DOLLAR		
New York: lunchtime		
£	1.6391	
€	0.9173	
SFr	1.4611	
Y	117.71	
London:		
£	1.6430	(1.6314)
€	0.9157	(0.9177)
SFr	1.4575	(1.4619)
Y	117.595	(117.98)
Tokyo close:		Y 117.90
EURO (London)		
$	1.0921	(1.0897)
£	0.6647	(0.6680)
Y	128.426	(128.583)
SFr	1.5917	(1.5930)

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.55	South Africa	R18
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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Operation Allied Force attacks Serb targets

After months of agonising over Serbian aggression against ethnic Albanians in the republic's province of Kosovo, the western powers are set on disabling Milosevic's military machine. But Nato action comes amid scepticism that strikes will force a climbdown and in the face of fierce objections from Russia

By Alexander Nicoll, Defence Correspondent

Operation Allied Force, launched by Nato last night, was intended to deal a devastating blow to the military might of Slobodan Milosevic, the Yugoslav president.

Nato bombs and cruise missiles were targeted against a wide range of Yugoslav military targets with the aim of fulfilling the mission spelled out on Tuesday night by Javier Solana, Nato secretary-general.

The action, Mr Solana said, would "be directed towards disrupting the violent attacks being committed by the Serb army and special police forces, and weakening their ability to cause further humanitarian catastrophe". This meant two types of targets were to come under attack:

● **Yugoslavia's integrated network of air defence systems.** Cruise missiles were aimed at surface-to-air missile launchers as well as the radar and communications installations that feed information to them, and anti-aircraft gun installations. The intention was to cause enough damage to reduce the risk of casualties during ensuing bombing raids by manned aircraft.

It is likely that Nato, thanks to satellite and aerial surveillance, had a fix on all main air defence installations.

Nato has seven vessels in the region capable of launching Tomahawk cruise missiles: four US warships, two US attack submarine, and HMS Splendid, the only British submarine fitted with Tomahawks, which it would be firing for the first time in anger. Missiles could also be launched from eight B-52 bombers, which took off yesterday from Fairford, Gloucestershire in the UK.

● **The Serbian army and special police both in Kosovo and in the rest of Serbia.** Heavy weapons and tanks, aircraft and airfields, command and control centres, communications systems, bases, depots and barracks were all due to come under attack.

The violent offensive under way against the ethnic Albanian majority in Kosovo had added urgency to Nato's plans to hit at Serb forces there. George Robertson, UK defence secretary, said Serbia had 44,000 troops and special police deployed in and around Kosovo and that the Serb offensive had displaced 20,000 people from their homes since Sunday.

A British intelligence official said Nato had been aware of Mr Milosevic's plans for a full-scale attack on the separatist Kosovo Liberation Army and also knew of plans for ethnic cleansing in the Serbian province. Serbia had made clear its aim was to crush the KLA.

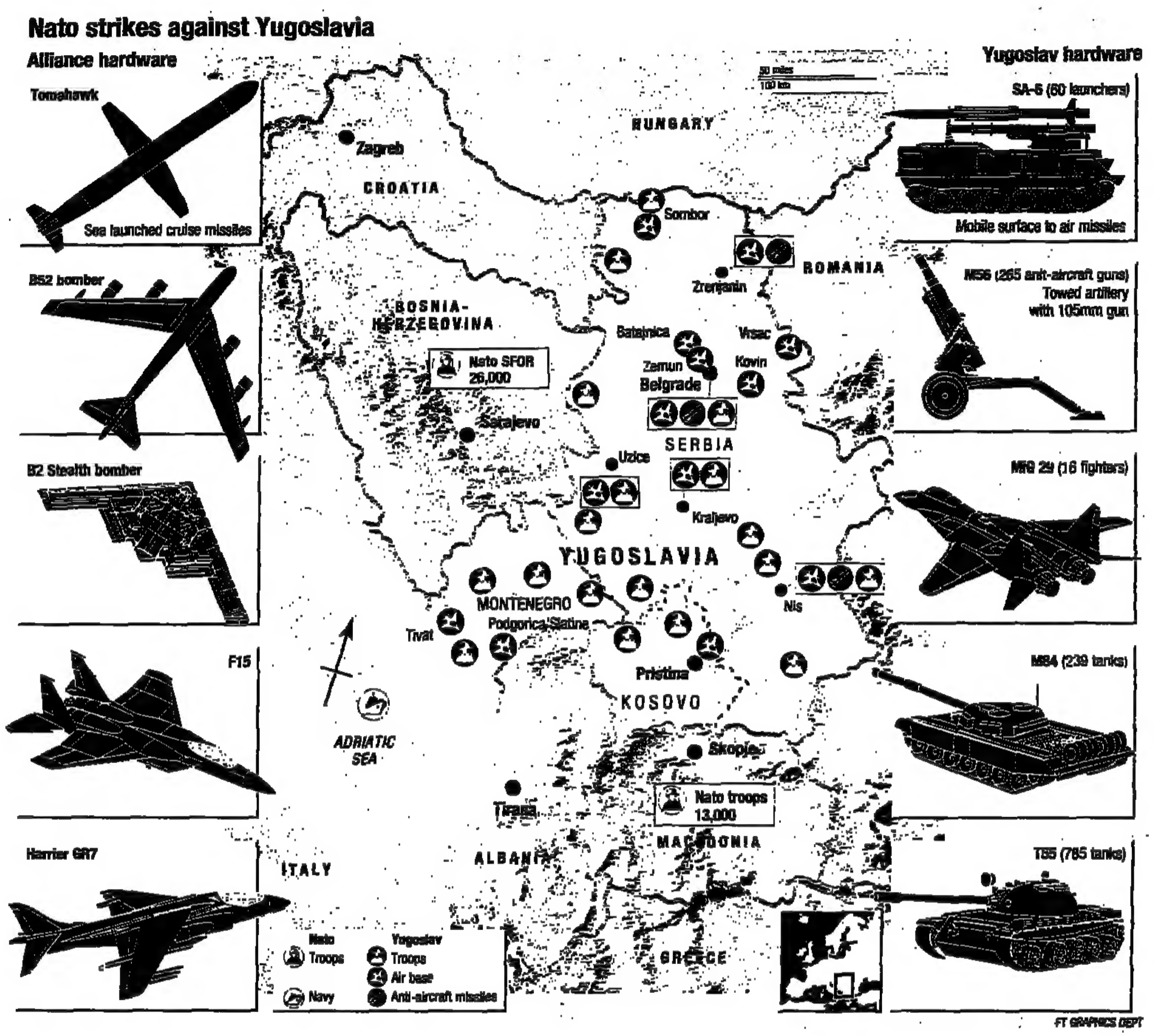
Nato has 350-400 warplanes, including F-117 stealth fighters, F-15, F-16, F/A-18 fighters, Harriers, Jaguars and Mirages as well as surveillance and support aircraft, ready to operate from bases in Italy, Germany, France and Britain. B-2 stealth bombers, so far not used in combat, could also be sent from the US.

Serb forces, though lacking the sophisticated aerial weaponry and fire power of Nato, were expected to put up sturdy resistance. Alliance commanders have been careful not to underestimate their capabilities. "We cannot discount the possibility that we may have aircraft downed," said a UK official.

After an initial onslaught lasting some days, Nato military chiefs were expected to pause to allow further diplomatic efforts to persuade Mr Milosevic to accept a Kosovo peace agreement involving the deployment of a 30,000-strong Nato ground force to back up a peace accord.

Although Nato has some 13,000 troops – the first part of the peacekeeping force – in Macedonia just across the border from Kosovo, there was no intention to send them in unless Mr Milosevic agreed to a peace settlement. Any attempt to intervene on the ground as a hostile force would require a force of at least 100,000 troops.

Britain warned that any attempt by Mr Milosevic to attack Nato peacekeepers in Bosnia and Macedonia would be a "gross violation". Mr Robertson said it would "lead to an immediate and considerable response in retaliation". UK officials said the Nato forces in Macedonia were not within artillery range and would be protected by Nato air patrols.



FT GRAPHICS DEPT

YUGOSLAV MILITARY STRENGTH

Mobile missile units form cutting edge

By Guy Dinmore in Belgrade

Once the second biggest in Europe, the Yugoslav army is a shadow of its former self and no match for Nato's superior air power. But, analysts say, it still has the capability to inflict serious losses on the western alliance.

Nato planners are less worried by the biggest mobilisation of reservists since the second world war in Serbia, which together with Montenegro comprises federal Yugoslavia, than by mobile missile units. These have the range to hit US and other troops based just outside Serbia in neighbouring Bosnia and Macedonia.

Nato has lost track of some FROG surface-to-surface missiles with a range of about 40 miles, which Serbia has moved out of positions around Belgrade.

Serbia also has the Super-Orcan (Wind) 300mm rocket system with a range of some 25 miles.

Several thousand US troops are currently based in the Brcko area in Serb-controlled northern Bosnia, less than 15 miles from the border with Serbia. Nato has also positioned some 12,000 troops in Macedonia as a vanguard for a proposed peacekeeping force to enter the war-torn Serbian province of Kosovo, just a few miles away.

"The nightmare scenario is that the Serbs get a pounding, then the force in Macedonia would be vulnerable. They are not defensive, just a great heap of people," one source said. There was also a danger of car-bomb attacks by extremists in Macedonia.

Yugoslav mobile air defence systems, the SA-6 and SA-3 in Serbia and Montenegro, can also be expected to down some Nato aircraft, analysts said, recalling that Nato lost three aircraft over Bosnia in 1995. The remnants of a US F-16 are proudly displayed at Belgrade airport's military museum.

However, diplomats believe Russia has refused to break the UN arms embargo against Yugoslavia and supply it with the sophisticated SA-300 air defence system. Nato's cruise missiles will face no obstacles but, as the strikes against Bosnia and Iraq demonstrated, they are not always accurate.

Ten years ago, before the six republics disintegrated, the Yugoslav National Army, as it was then known, was the second biggest army in Europe after the Soviet Union, with some 250,000 troops.

Designed for defensive warfare and based on territorial units, the army regularly called up reservists for exercises and the country was a producer of weapons for domestic use and export.

But under Slobodan Milosevic, the president of federal Yugoslavia, the army has been starved of funding and is reduced to some 115,000 troops, of which around 43,000 are conscripts.

While the army declined in importance, Mr Milosevic built up his more trusted force of Serbian interior ministry troops, who have carried out the brunt of fighting in Kosovo against ethnic Albanian rebels.

The two forces, each with their own intelligence services, eyed each other with suspicion for years and only began to integrate fully their fighting capabilities after Mr Milosevic began a purge of his senior military commanders last October. The cutting edge remains three special police units, trained in anti-terrorism and well equipped.

Although Mr Milosevic may now feel comfortable with his generals at the helm, Nato planners question whether they fully understand the weight of firepower arrayed against them or if more junior officers and the bulk of conscripts have the discipline to hold their ground. The first wave of Nato strikes was expected to take out communications systems and leave units cut off from their commanders.

But, diplomats said, Nato should not underestimate the determination of the Yugoslav army to defend Kosovo, seen as the heartland of ancient Serbian kingdoms and their Christian Orthodox heritage.

"We have to expect the VJ [Yugoslav Army] to fight. They are winding up the nationalist fervour," one western source commented. "One grave concern is that if we really let fly, they will turn against the Kosovo Albanians. So-called selective burning of houses could turn into a maelstrom."

Miroslav Lazanski, military correspondent for the pro-government Vecernje Novosti newspaper, says the armed forces have sophisticated US, French and British weapons, including elements of air defence systems. Of the present UN arms embargo, he said: "Officially there is an embargo. Unofficially there are ways for weapons to come in. Like God, arms move in mysterious ways. On the Russian black market you can buy anything you want."

Azerbaijan said on Tuesday it had seized a Russian cargo aeroplane with six MiG fighters inside bound for Yugoslavia. Moscow insisted the consignment was on its way to Slovakia, although the Slovak government has denied this.

The Yugoslav army, Mr Lazanski said, would respond to Nato attacks. "I'm sure the army will not remain passive in case of attacks and there are certain targets that VJ systems can reach.

"I won't say exactly what but everything in range will be hit. You must realise you are pushing us up against the wall, right to the end, and we have to defend ourselves," he said.

MONTENEGRO

Federal republic at risk of splitting

By Guy Dinmore

The crisis in Kosovo yesterday threatened to tear apart the two remaining republics in Yugoslavia, with the pro-western government in Montenegro declaring it would not recognise a declaration of an "imminent state of war" and other decisions by the federal government dominated by Serbia.

Montenegro's parliament met in emergency session and was expected to give its support to the government of Milo Djukanovic, president, a fierce critic of Slobodan Milosevic, the federal Yugoslav president.

Belgrade's declaration on Tuesday of an "imminent state of war" was a prelude to a state of war or emergency, which would give sweeping powers to the federal government led by Mr Milosevic.

Tension ran high in Montenegro, where air defence and missile units of the Yugoslav army loyal to Mr Milosevic and based along the Adriatic were expected to be among Nato's targets.

Supporters of Mr Djukanovic fear an attempt by the Yugoslav army to overthrow his government if he carries out a threat to declare "neutrality", effectively one step away from full secession. These fears have been fuelled by the army's call-up of reservists. The strongest response came from supporters of Mr Milosevic.

Western governments have thrown their support behind Mr Djukanovic since his election victory 18 months ago over Momir Bulatovic, a close ally of Mr Milosevic and now prime minister of federal Yugoslavia.

Riot police in the capital Podgorica loyal to Mr Djukanovic have taken up positions around government buildings and key installations, such as telecommunications and state television, to deter any attempt by the military to take control.

General Radislav Martinovic, commander of the Yugoslav army's second corps in Montenegro, demanded last week that Montenegro's police force be placed under his command, local media reported.

Predrag Bulatovic, a senior official in Montenegro's Socialist People's party (SNP), which has close ties to Mr Milosevic, accused Mr Djukanovic of "serving foreign interests" and warned him not to declare Montenegro's independence.

In recent months, Montenegro has taken over various functions of the federal government and recently threw out federal customs officers sent by Belgrade. Analysts said Yugoslavia as a federation existed virtually in name only, with the currency, the army and sports teams the last vestiges of a single state.

Should Montenegro break away then the Kosovo autonomy plan signed by the Kosovo Albanians, but not the Serbs, at Paris peace talks last week would collapse immediately.

The ethnic Albanian delegation reluctantly accepted a three-year interim status for the Serbian province of Kosovo that preserved its institutional ties with Yugoslavia but stripped away all authority of the Serbian government. Without Montenegro, however, federal Yugoslavia would have ceased to exist.

RUSSIAN WARNING KREMLIN SEES RISK OF CONFLICT WIDENING

'Tragic step', says Yeltsin

By John Thornhill in Moscow

Shortly before Nato launched an attack on Serbian targets, Russian President Boris Yeltsin warned that Nato countries risked plunging Europe into war if they took the next "tragic step" of bombing Serb positions in Yugoslavia.

In a rare, and emotional television address, Mr Yeltsin appealed directly to US President Bill Clinton not to strike a "blow against the whole international community".

Mr Yeltsin said he wished to "convince Clinton not to make this tragic, dramatic step. It is a danger for Europe. It is war in Europe and maybe more than that".

The Russian president said he fully supported the decision of Yevgeny Primakov, prime minister, to postpone his visit to Washington, where he was due to meet Mr Clinton and the International Monetary Fund. Mr Primakov had been mid-way across the Atlantic on Tuesday before turning his aeroplane around and heading home when he learned that Nato bombing raids were imminent.

Mr Primakov said Russia would "never trade her principles" by bargaining foreign policy concessions for economic gain.

But he said he had already talked by telephone to Michel Camdessus, the IMF's managing director, to rearrange their meeting. Mr Primakov said this might be possible in the next few days, either in Moscow or in a third country.

He confirmed the two sides were making good progress in agreeing a new programme.

But the growing tension around Kosovo – and the disruption to IMF talks – unsettled Russia's financial markets. The rouble, which has been trading in a fairly stable range of between 20 to 23 to the US dollar over the past few weeks, slipped at one point yesterday to 26 on Moscow's currency market.

Maxim Shashenkov, managing director of Alfa Bank, said any delays in the IMF talks would not only unnerve financial markets but could also aggravate political tensions in Moscow. "One thing is clear. Without the IMF money, Russia is going to have a severe political crisis," he said.

'It is a danger for Europe. It is war in Europe and maybe more than that' – Yeltsin

"Primakov has been ensuring a balance, a detente, between the president and parliament. Now he will find it very difficult to keep them apart. Without the IMF money, this balance will be destroyed."

In an interview with the Argumenti i Fakti newspaper, Yuri Maslyukov, the Communist first deputy prime minister in charge of the economy, also forecast further political turmoil ahead. He said the current government's time could run out by May or June.

"Of course this government is interim, it cannot solve basic issues. It can only keep the country from sliding into an abyss," he said. "There are a number of problems that we simply cannot solve now."

Russia's nationalist politicians, including the leaders of the Communist party, which forms the biggest parliamentary faction, welcomed Mr Primakov's decision to postpone his trip to Washington and condemned US warmongering.

But Andrei Kozyrev, the former foreign minister and liberal MP, said the government's position over Kosovo contradicted the country's national interest, which was to unite with the democratic, civilised countries of the world. "By turning the aeroplane around, the Russian side has got into a situation where it supports a dictator who understands nothing but force and who is conducting ethnic cleansing in Kosovo," he said.

Mr Kozyrev said Russia's actions would further erode its relations with the US. "Instead of a partnership, which would correspond to our interests, we cannot even talk to them," he said.

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BRITISH BACKING OBJECTIVES CLEAR, INSISTS DOWNING STREET

MPs throw doubt on efficacy of strikes

By Andrew Parker in London

The UK government was yesterday attacked by MPs from its own party for backing Nato air strikes against Yugoslavia, as opposition politicians questioned whether the action would bring peace to Kosovo.

Tony Blair, UK prime minister, said at the European summit in Berlin: "We have tried to get a peaceful settlement to this. We have given [Yugoslav President Slobodan] Milosevic every chance to come into line with the agreements he entered into last October. He has failed to do so and we must now act."

George Robertson, UK defence minister, sought to clarify Nato's "minimum objective" of reducing Serb repression in Kosovo. "The talk about us bombing Serbia is loose and inaccurate. The targets will be military targets exclusively," he said.

But Labour, Conservative and Liberal Democrat MPs questioned whether air strikes would force Mr Milosevic into a climbdown.

Jim Cousins, a leftwing MP from the ruling Labour party, sought assurances in the UK parliament that "at the first indication" Mr Milosevic accepted the proposed peace agreement, "the hostilities that are about to commence are instantly terminated".

Six other leftwing Labour MPs from the ruling party signed a motion that opposed the Nato action.

The motion said the move contravened "the sovereign status of a recognised state"

'We have given President Milosevic every chance to come into line' – Blair

and was "likely to cause further civilian casualties and could lead to an escalation of conflict with consequent increased loss of life on all sides".

Paddy Ashdown, leader of the opposition Liberal Democrat party, said there must be "clearly defined and achievable political aims" to the Nato action.

While supporting the air strikes to reduce Mr Milosevic's military capability, Mr Ashdown warned that "it will not produce stability in Kosovo".

He said if Mr Milosevic refused to sign the peace agreement then the first step towards stability would be the establishment of an "international protectorate" in Kosovo.

Crispin Blunt, an opposition Conservative party MP, asked what would be the Nato response if the air strikes made the situation in Kosovo "worse rather than better".

John Prescott, UK deputy prime minister, replied: "We are confident the strategy we have embarked upon will have its effect."

Downing Street, responding to Mr Ashdown, insisted that Nato's objectives were clear.

The minimum objective was to curb Serbian repression in Kosovo to avert a humanitarian disaster, by targeting Mr Milosevic's military capability.

Mr Blair's spokesman said Mr Milosevic had to fulfil promises made last year to end repression, withdraw troops to barracks and sign up to the peace agreement set out in the Paris accord.

He added that under the Paris accord, the proposed constitutional settlement for Kosovo would be policed by Nato forces.

COMMISSION PRESIDENT APPOINTMENT IS A BIG BOOST FOR D'ALEMA GOVERNMENT

Italy hails Prodi's EU post

By James Blitz in Rome

Italy's political establishment yesterday reacted with joy and a touch of disbelief at the news that Romano Prodi had been appointed president of the European Commission.

As news came of Mr Prodi's nomination, politicians expressed their delight that an Italian had taken the presidency for the first time since Franco Maria Malfatti held the post from 1970 to 1972.

For the government of Massimo D'Alema, the appointment is a political boost. For years Italy, one of the world's main economies, has complained it is under-represented in international institutions.

Mr Prodi's appointment was seen in Rome as a turning-point in Italy's international image, especially as "honesty" and "toughness" are deemed pre-requisites of the new president.

There is a second significant gain for Mr D'Alema. In recent months, Mr Prodi, whose government fell last October, had begun forming a new centre-left party that looked set to do well at the European elections, threatening Mr D'Alema's leadership.

Mr D'Alema has won a new lease of political life with the departure for Brussels of a rival.

Outside Italy, Mr Prodi's appointment will be greeted most warmly by the UK government. Mr Prodi, who was a postgraduate student at the London School of Economics, is close to Tony Blair, UK prime minister, speaks good English and comes over on television as a trustworthy, down-to-earth figure.

The Blair government is turning its mind to an impending referendum on Euro entry and some diplomats in Rome feel Mr Prodi could play an important role in making Europe seem more friendly to British public opinion.

Elsewhere, Mr Prodi is perceived as someone with strong experience of economic management who can lead reform of the European Commission.

In the 1980s, he was chairman of Iri, the state holding company. In 1996, he led Italy's centre-left coalition to an election victory. He held his government together for 28 months, long enough to ensure Italy qualified for the euro single currency this year.

Some Italians warn that Mr Prodi's reputation abroad as a tough "chief executive" of liberal economic views is occasionally exaggerated and that his career has had ups and downs.

They argue that Mr Prodi's performance as prime minister was not as tough as legend has it. During his first six months as premier, he had hoped to water down the single currency criteria.

He gave up only when he realised that Spain would not help him. His time as premier saw little progress with the reforms Italy needs for stable government.

Second, analysts say he carried out limited cuts in public spending.

Tax increases in the 1997 budget ensured that Italy could begin to meet the criteria for monetary union. But Mr Prodi's pensions reform of October 1997 had modest impact.

Third, Mr Prodi carried through some big privatisations, but his Iri years have left him with a lingering faith in state planning. In October 1997, he promised a 35-hour week for Italy. Last year, he launched a scheme to use European central banks' excess foreign reserves to lift investment.

Gerhard Schröder at summit: sees Prodi as man of integrity Reuters

Less than an hour to choose Santer's successor

By Emma Tucker in Berlin

It took less than an hour for European Union leaders to appoint Romano Prodi as the next president of the European Commission – a decisiveness almost unknown in the tortured world of EU decision-making.

The speed with which they reached agreement reflected a desire to set a swift seal on the shambles in Brussels following last week's mass resignation of the European Commission, including Jacques Santer, the president.

In fact, had it not been for the drama in Europe's capital, Mr Prodi might never have found himself at the head of the EU's executive.

Europe's prime ministers would, under normal circumstances, have had until June to mull over a clutch of worthy candidates, some arguably more suitable than Mr Prodi. As it was, the crisis in Brussels forced their hand – Mr Prodi was the right man, in the right place and at the right time.

Javier Solana, secretary-general of Nato, was otherwise indisposed – yesterday more so than ever as alliance bombers flew to Yugoslavia. Wim Kok, Dutch premier, had already said he wanted to complete his term. António Guterres, the Portuguese prime minister, has important elections looming.

Other candidates were thin on the ground and the "Buggins turn" factor was also at play. After Commission presidents from France and Luxembourg, the next one had to be from the south. After a politician from a small member state, the successor had to be from a big one. After a Christian Democrat, a centre-left candidate was preferable. No less important was the need to offer the Mediterranean countries a sweetener for acceptance of the EU's enlargement into eastern Europe, a project for which they have little enthusiasm.

The photofit candidate that resulted was a leftist politician from Spain or Italy. Step forward Mr Prodi, a man whose credentials Gerhard Schröder, the German chancellor, called "incontestable and uncontested".

Mr Schröder described the Italian statesman as an experienced politician who had shown his management skills and ability to handle big organisations: he had unusual economic knowledge and experience and in office had been transparent, open and close to the people.

Above all – and given the events in Brussels this was important – he was a man of great integrity. Mr Prodi still faces a grilling from parliament.

N Ireland set to benefit from regional aid deal

By Michael Smith in Berlin

Northern Ireland is expected to keep big chunks of a special European Union fund to promote peace in the province as part of a deal between member countries on regional aid that could be agreed today.

The west coast of Ireland also looks set to retain access to the biggest regional aid fund after a decision by Eurostat, the EU's statistical organisation, to allow the region to be considered separately from the rest of the republic, most of which is more prosperous.

As the 20-month talks on regional aid near their climax, heads of government meeting in Berlin still have big issues to resolve.

They must address Portugal's demand for favourable treatment for the region around Lisbon, in danger of losing regional aid access.

Sweden and Finland are also battling for their remote regions to have access to the main fund, called Objective One.

Heads of state must also narrow the gap between countries, including France and the UK, which want to freeze regional aid at less than €200bn ($218bn) from 2000 to 2006, and nations such as Spain that want more, but accept the European Commission's proposal of €239bn is no longer possible.

Northern Ireland has in the past five years benefited from a peace and reconciliation fund set up by the EU in the wake of the 1994 ceasefire and worth over €400m.

Expectations last night were that, despite the EU austerity drive, Ireland would be provided with a similar, though retitled, fund for the next few years.

The concession could however, complicate the UK's campaign to win aid for the Highlands and Islands of Scotland because of its sparse population.

Northern Ireland's total regional aid receipts are also likely to also decline because the rise in its economic prosperity prevents its automatic access to Objective One funds.

Regional aid accounts for about 35 per cent of the EU's €85bn a year budget.

Under the Commission's reform proposals, eligibility for Objective One funds, about two-thirds of the total, would be strictly limited to regions where gross domestic product per head was less than 75 per cent of the EU average.

OECD wants monetary policy eased

By Robert Chote in Washington and Tony Barber in Frankfurt

In its first report on the euro-zone since the launch of the single currency, the Organisation for Economic Co-operation and Development yesterday hinted broadly that the European Central Bank should loosen its monetary policy.

The report focused on the worsening economic outlook for Europe since the euro was launched and the implications this would have for the policies of national governments.

Although the euro was launched in promising conditions, the report said: "The risks attached to the near-term outlook are unusually large and mostly on the downside."

But the OECD may be pushing at an open door. Otmar Issing, the ECB's chief economist, used similar language yesterday when speaking to reporters in Frankfurt.

"Euro-area growth has slowed down considerably. The risks are on the downside," he said.

Mr Issing hinted that the slowdown had caused the ECB to start thinking of cutting its benchmark refinancing interest rate. Alluding to recent ECB statements that interest rates would remain unchanged for the foreseeable future, he said: "The foreseeable future ends when we cut rates."

The OECD report found that a successful single currency would require Europe to develop more flexible markets, tougher control of government borrowing and lower interest rates.

The OECD predicted there would still be slack in the euro-zone economy next year, which implied little need to tighten monetary policy because of incipient inflationary pressures. But financial problems in emerging market economies and weaker growth in the US and the UK could deal a further blow to business confidence and stall the euro-zone's economic recovery.

"Given also that inflation is currently falling, reflecting factors such as lower world commodity prices and import prices due to the exchange rate appreciation, these factors may provide some further scope to ease the monetary policy interest rate below the current level of 3 per cent," the report said.

The OECD's muted language on interest rates belies growing concern about the ECB's behaviour among the international financial institutions. The International Monetary Fund is expected to be more forthright in its call for lower rates in its twice annual review of the world economy next month.

The OECD conceded, however, that the ECB had a tough job setting monetary policy in its early days, as it was unclear how the euro-zone economy would react to changes in interest rates.

On fiscal policy, the OECD said many governments in the euro-zone would have to make "considerably more progress" pruning budget deficits to respect the limits in the stability and growth pact.

Most countries need to run deficits of less than 1 per cent of national income (adjusted for the ups and downs of the economic cycle) if they are to be 95 per cent confident of keeping their deficits within the 3 per cent of national income limit laid down in the stability and growth pact, the report said. To meet the same criteria, Denmark, the UK and Sweden would need to run modest, cyclically adjusted surpluses.

The OECD warned that tax competition was already eroding some government revenues, while there was also a need to reduce the burden placed on non-wage labour costs by social security contributions.

Canberra plea for global finance reform

By Gwen Robinson and Hugh Carnegy in Canberra


Costello: risk of renewed crisis

Leading industrialised nations are neglecting urgently needed reforms to the international financial system and run the risk of a resurgence of economic crisis, a senior Australian minister warned yesterday.

"My big concern now would be if everyone said the Asian crisis is over, and yet, what concrete changes have been put in place since August 1997? We've had a lot of reports but we would like to see some concrete changes," said Peter Costello, the federal treasurer.

Mr Costello's views are echoed by other Australian officials worried that the Group of Seven (G7) leading industrial countries have lost interest in reform to the monetary system in the wake of the Asian, Brazilian and Russian crises.

Ian MacFarlane, governor of the Reserve Bank of Australia, said there was a "danger that nothing much would be done until the next crisis".

Mr MacFarlane has been an advocate of international co-ordination on financial system reform. He was a force behind a recent government report which urged a pivotal role for the Group of 22 (G22) nations, thus including leading developing as well as industrial countries in the talks.

As part of Australia's gathering campaign to revive momentum, Mr Costello said in an interview he would tomorrow outline proposals to promote international financial system reform.

The measures include steps to improve banking supervision, transparency and risk management, and private sector involvement in debt talks.

Mr Costello will make the proposals to a meeting in Melbourne of the Manila Framework group, set up in Manila in late 1997 after turmoil in regional currency markets.

The group includes the US, Japan and Asian countries affected by the economic crisis.

Australia is trying to persuade individual countries, including the US and multilateral institutions, to push broader financial system reforms, including selective controls on capital flows and debt restructuring.

John Howard, Australia's prime minister, sent a report to regional, US and European governments in December urging them to support "short-term controls" on capital flows in emerging markets and closer monitoring of hedge fund activities.

Mr Costello said Australia's recent diplomatic initiatives were largely linked to the country's enhanced regional status because of its strong economic growth in the past two years.

The recent demise of the Group of 22, one of the only international forums which gave Australia input into international economic deliberations, had also spurred Canberra, he said.

Australian economic growth reached nearly 5 per cent last year, exceeding all forecasts, and would probably top 4 per cent in the current year, he added.

Privately, senior Australian officials blame European countries for sidelining the Group of 22 in favour of the European-dominated G7.

Some said they feared the US administration was reluctant to intervene in currency markets last year because of the dominant position of big US investment banks.

FEARS OF DEVALUATION INFLOWS COULD 'FALL BY A VERY BIG MARGIN' THIS YEAR

Foreign investment slows in China

By James Harding in Shanghai

Foreign investment in China has started to slow sharply as concerns about the faltering economy, the stability of the currency and tough business conditions weigh on investor confidence.

China yesterday reported a 9.5 per cent decline year-on-year in actual foreign direct investment (FDI) in January and February, raising the likelihood that inward investment will fall this year for the first time in the 1990s.

The ministry of foreign trade and economic co-operation said contracted foreign investment, which Beijing hopes signals the long-term trend, rose by 17.5 per cent year-on-year to $5.513bn. But the nearly 10 per cent fall in actual investment prompted one official to concede that actual inflows could "fall by a very big margin" this year.

China's rapid economic growth over the past decade has been helped by unrivalled inflows of foreign direct investment, which have grown from $3.4bn in 1990 to $45.6bn last year.

However, the weakness of domestic demand, oversupply in most industrial sectors and a squeeze on corporate margins have depressed international enthusiasm for investing in China.

In addition, concerns that Beijing may in fact devalue the renminbi, in spite of repeated promises to hold the Chinese currency steady, have acted as a further disincentive to foreign companies. Many businesses say privately they are holding off making a commitment, believing they may be able to get more value from a foreign currency investment if they wait for a depreciation.

China's FDI growth was flat last year as the Asian crisis knocked out many investors from the region, but rising inflows from the US and Europe prevented a plunge in the numbers.

The figures yesterday also suggested a growing divergence between the amount of money pledged by foreign investors and actual sums that arrive. The foreign trade ministry said accumulated FDI in China reached $271.7bn by the end of February, while total contracted investment was $578bn.

Zhao Jinping, an economist at the government's Development Research Centre, was quoted yesterday as saying that actual foreign direct investment could fall to $35bn-$40bn in 1999. However, Beijing officials privately suggest the real inflows could prove to be much lower.

Zhu Rongji, the prime minister, is due to go to Washington early next month, where China's bid to join the World Trade Organisation is expected to lead the agenda.

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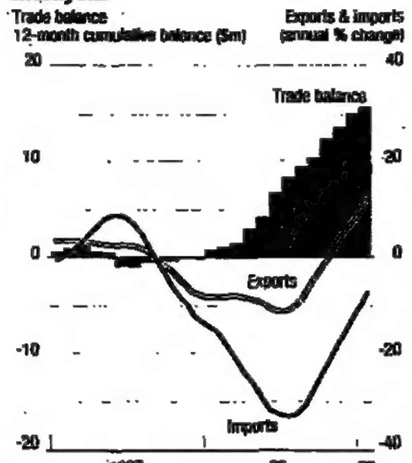
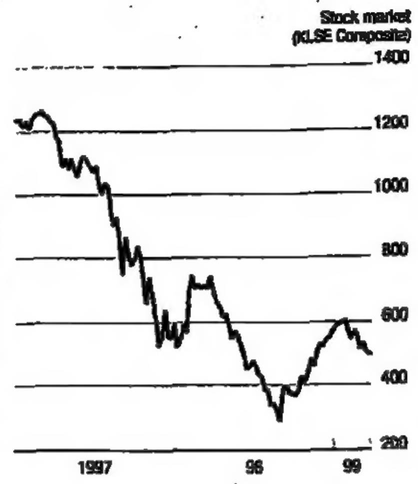
Malaysia's economic upturn fails to convince

Sheila McNulty finds doubts that renewed turmoil can be avoided without real reform





Source: Kim Eng Securities; Datastream/ICV

Malaysian car sales are soaring, imports have stopped falling and spreads on bonds are dropping. So it is not surprising that some analysts feel sure that the long-awaited recovery has arrived.

"The trade figures for December show a key turning point, with exports up by about 15 per cent in US$ terms – the best performance since the crisis began," says Neil Saker, head of economic research at SG Securities.

But others remain unconvinced, noting that while such data are comforting, they should not be confused with evidence of a sustainable recovery. One need only look at Japan to know that, without taking politically unpopular steps forcing poorly managed banks and corporations to suffer the consequences of inadequate credit analysis and over-borrowing, nothing will prevent them from repeating mistakes and pulling the country back into recession once this crisis has passed.

Yet Malaysia is doing its utmost to rescue every bank and company, buying non-performing loans from banks, recapitalising them and then putting pressure on the same errant managers to lend feverishly again to revive the economy.

Kate O'Donoghue, regional economist at Barclays Capital Singapore, notes that the banks did not respond to threats last year that heads of institutions would be sacked for failing to produce 8 per cent annual loan growth, in fact falling far short of that target. "The situation is less than optimal for banks, but it's not as bad as it could be," she says.

But the pressure remains. Moody's Investors Service believes attempts to bring back growth by instructing banks to lend more will only lead to additional loan losses. The reclassification of non-performing loans to those in default for six months, instead of the internationally accepted three, makes it more difficult to assess strains. Yet bankers say they have been told to reschedule company debts to keep them from going under.

There have been attempts to restructure, such as Sime Darby's abandonment of banking, and some foreign purchases, such as British Telecom's acquisition of a stake in Binariang. But many economists remain unconvinced the corporate sector has been suitably dealt with.

"I don't think there are enough reported restructurings relative to the size of the problem," says Kostas Panagiotou, senior economist at Kim Eng Securities. "When you have such a severe recession, with the economy contracting 6 to 7 per cent, and you know the corporate sector is highly geared, it's surprising we haven't seen spectacular bankruptcies." Most companies are waiting for the government to save them.

The largest rescue has been of government-linked Renong, Malaysia's biggest corporate debtor. In October it unveiled a plan to address its M$28bn ($7.4bn) in borrowings – about 5 per cent of banking system loans – that included the government backing M$10bn in Renong bonds. Months later it produced a new plan that did not contain controversial direct backing from the government, but analysts said maintained assistance in the form of pressure on institutions to buy the bonds and extended concessions on Renong's toll operations.

But economists' biggest complaint is that so much money is tied up buying bonds when it could be better used elsewhere. Outstanding debt remains huge. In December 1998, economists say, domestic private sector bank debt was M$454bn, up from M$447.6bn in December 1997. As a ratio of gross domestic product, they say, debt might surpass the enormous 162 per cent recorded at the end of 1997, depending on 1998 GDP.

Economists, therefore, do not expect much new domestic investment and, given over-capacity in Malaysia, there is little impetus for outside investment. Malaysia has not encouraged it, refusing to loosen restrictions on foreign ownership in strategic industries such as banking, and imposing controls.

In September, Malaysia withdrew the currency from international circulation, placed controls on capital flows, trapped foreign money in the stock market for a year and froze what amounts to billions of dollars in Malaysian-listed shares that had been traded over-the-counter in Singapore.

"The Malaysian government's introduction of currency and capital controls discourages new inward investment, which in turn cuts off a source of funds for companies – the borrower-customers of the local banks – that urgently need either to invest or restructure their liabilities," Moody's says. "It also hampers the ability of the banks themselves to raise much-needed capital from foreign sources."

Although the government recently permitted foreigners to withdraw investments before a year if they pay hefty exit taxes, most are waiting the 12 months to incur fewer losses. And they are not committing new money. "We're negative on Malaysia," says Hugh Young, managing director of Aberdeen Asset Management Asia. "It's just not applying the right policies."

Daim Zainuddin, finance minister, declined to respond to these concerns. Perhaps his biggest worry should not, in any case, be how foreign investors view Malaysia but how they see it relative to neighbours which can be seen to be implementing reforms. No matter how convincing the results of Malaysia's policies, reforms in countries nearby will make investors more confident about looking elsewhere.

Business likes stable forex, but fears the bureaucracy

The prime beneficiaries of Malaysia's decision to impose capital controls and withdraw the currency from international circulation and peg it at M$3.8 to the US dollar turned out to be foreign direct investors, **Sheila McNulty reports.**

They no longer have to contend with wide swings in the exchange rate, which had made it difficult to plan as they normally do 18 to 36 months in advance.

"It is easier for us to predict and forecast," says Yap Peng Hooi, managing director of Siemens, the German semiconductor company, in Malaysia.

That said, even these investors want the controls lifted. They brought increased bureaucracy that serves as a deterrent to more of the investment that has long fueled Malaysia's economy from the free-industrial zones of Penang state. Before the controls on capital flows, for example, investors say central bank approval on them was regarded a formality, so banks automatically executed company orders. But afterwards some banks became unwilling to act until they received approval, stretching the process sometimes 10 days.

Investor concerns go beyond heightened bureaucracy to the perception that Malaysia is more restrictive than its neighbours. "It will be another negative factor in the equation," says Tan Beng Teik, managing director of Integrated Device Technology, the US semiconductor maker.

Deadly pig disease spreads to East Malaysia

By T.J. Tan in Kuala Lumpur

An outbreak of Japanese encephalitis has spread to the East Malaysian state of Sabah on Borneo island, with two people contracting the disease.

The viral disease, which is carried by pigs and spreads to humans via mosquitoes, has killed 58 people – mainly pig farmers – since the outbreak started in October. Until now the disease has been confined to peninsular Malaysia, health officials said.

The authorities have been struggling to contain the disease, which attacks the brain in humans.

They have evacuated some 2,900 villagers in Lukut district in Negri Sembilan state, about 100km south of the capital, Kuala Lumpur, as the army started killing over 320,000 pigs (15 per cent of the national pig stocks) in the area to stamp it out. Lukut, which lies in the heart of Malaysia's pig breeding industry, is the worst-affected area.

According to the Federation of Livestock Farmers' Associations, half of the country's 1,800 pig farms may have to shut down as pork consumption and prices fall.

It is urging the country's 6m Chinese – 26 per cent of the population of the mainly Moslem country – to make a point of buying pork every day to save the M$1.5bn (US$395m) pig farming industry. The government does not plan to compensate farmers for pigs slaughtered.

The Malaysian Chinese Association, a member of the ruling coalition, has started a pork-eating campaign, and a fund set up last week to help pig farmers has attracted M$1.2m in donations from the public.

Taiwan said yesterday that it was tightening customs checks on travellers from south-east Asia because of the outbreak and was discouraging farm visits to Malaysia.

It is also tightening inspections on animal and plant products from the region and cracking down on meat smuggling.

Singapore has banned imports of pigs and horses from Malaysia after an abattoir worker on the island died from suspected Japanese encephalitis. Pig exports to Singapore are worth over M$300m a year.

Representatives of Chinese organisations, human rights groups and pig farmers protested yesterday outside the health ministry, urging the government to speed up the culling of pigs and provide compensation to farmers for pigs killed.

Shares tumble as Bombay SE chief ordered to resign

By Krishna Guha in Bombay

India's stock market regulator yesterday ordered the president of the Bombay Stock Exchange to resign, sending shares tumbling. The move against J. C. Parekh follows an investigation into stock market manipulation last year.

The benchmark BSE-30 index fell more than 100 points on the news, before recovering slightly to close down 74 points, or 2 per cent, at 3,682.

The Securities and Exchange Board of India (Sebi) said: "We have asked the BSE president to relinquish office in connection with an investigation into share dealing."

Sebi, which did not detail the reasons for its ruling, has also barred Mr Parekh from holding any public office in India's capital markets for three years.

The ruling is understood to relate to Sebi's nine-month investigation into alleged manipulation of shares in three popular stocks – BPL, Videocon and Sterlite. Shares in the three companies soared late last summer on unprecedented volumes before plummeting, prompting several stockbrokers to default.

Sebi launched a wide-ranging investigation, involving 34 brokers, a number of stock exchange officials and Harshad Mehta, a former stockbroker banned from the market for his role in earlier securities scams.

"It was a market manipulation, there is no doubt about that," said a stock market official.

Sebi has not published any evidence to suggest that Mr Parekh was involved in manipulating shares. Officials believe he is being held to account for failure to monitor speculators' positions, maintain adequate margins and report full information to the governing board of the BSE.

India's stock market reacted sharply yesterday as rumours of the decision reached dealing rooms at about 3pm. "I have never seen anything like it," said Graham Lappin, a stockbroker at ABN-Amro in Bombay. Software stocks, which have performed strongly since the budget on February 27, led the fall.

Sentiment was also hit by the fall in other Asian markets earlier in the day. Some analysts believe that yesterday's slide heralds a wider bout of profit-taking, which would put at least a temporary end to the recent bull run in Indian stocks.

Sea escape prompts call to boost navy in Japan

By Michiyo Nakamoto in Tokyo


A Japanese gunner fires 20mm tracer rounds from a Maritime Safety Agency patrol boat towards two fleeing boats that had infiltrated Japanese waters on Tuesday AP

Calls for Japan to strengthen its self-defence capabilities increased yesterday after Japanese forces gave up pursuit of two unidentified ships which had intruded into Japanese territory.

Keizo Obuchi, the prime minister, said the government would consider strengthening Japan's ability to respond to aggression. "I am sorry to say the measures taken did not result in the carrying out of orders to stop and inspect the ships. But... it clearly demonstrates the nation's will to secure its safety. These incidents could occur at any time, and it is important for the government to be united in responding to them," Mr Obuchi said.

Japanese destroyers gave up their pursuit of the two ships yesterday afternoon when they sailed out of the Japanese air defence identification zone in the direction of North Korea.

The ships, disguised as Japanese fishing vessels, had wandered into Japanese waters and had refused to stop even after repeated warning shots and the dropping of bombs near them.

The Japanese government's unusually prompt and decisive action against the two ships was criticised by some opposition politicians as unnecessarily rash. The defence force fired more than 1,200 warning shots and dropped over 10 bombs near the ships. Under Japanese self-defence rules, the defence force can fire at an enemy only if the Japanese are attacked first. Some members of the ruling party are calling for a review of these restrictions. A number have even advocated that Japan reserve the right to launch pre-emptive strikes against a potential enemy.

"The system is absolutely not in place" to deal with a serious emergency situation, said Ichiro Ozawa, leader of the Liberal party, the junior government partner to the Liberal Democratic party.

The latest incident comes in the wake of a series of incidents involving North Korea. Last August, North Korea launched a missile across Japanese territory, prompting the Japanese government to decide to launch four surveillance satellites and jointly develop a ballistic missile defence system with the US.

North Korean agents are believed to be behind a series of kidnappings of Japanese citizens, bodies of North Korean military officers have washed up mysteriously along Japan's western coast and North Korean ships are believed to have been involved in attempts to smuggle a stimulants into Japan last year.

The scare over the ships also comes as the Japanese Diet remains divided over new legislation the government wants to pass to strengthen Japan's support for US forces.

Indian women outraged by rape insurance

By Amy Louise Kazmin in New Delhi

India's state-owned General Insurance Corporation (GIC) has been forced to drop a reference to rape in a new catch-all women's accident insurance policy following an outcry from women's groups appalled by the idea of the government selling "rape insurance".

Under the terms of the policy announced by the Bombay-based company last week, women between the ages of 10 and 75 can pay a premium of 15 rupees (35 US cents) a year for a policy that would compensate them for death, disability or other damage incurred as a result of various accidents, including snakebite and drowning. The policy, formally launched by Atal Behari Vajpayee, the prime minister, also specified that women could be compensated for disabilities resulting from rape.

"It is a policy marketed for Indian housewives with a very low premium base to cover some of the incidents that happen in day-to-day life," says R.K. Joshi, assistant general manager of GIC. He said rape was specifically included in the policy because it is "one of the eventualities".

However, women's groups in the Indian capital condemned the proposal, which they said inappropriately equated rape with other accidents. "It's an atrocious idea," says Kirti Singh, an attorney for the All India Democratic Women's Association.

Instead of taking steps to prevent rape, she says, the government is essentially telling women to "accept the fact that it's there, and deal with it."

Indian women's groups have been pressing for stronger rape laws that would guarantee some funds for rape victims, either through penalising convicted rapists or through a government fund.

"You are setting a precedent which says a women has to pay to rehabilitate herself," says Brinda Karat, of the All India Women's Democratic Association.

The outcry prompted the GIC to rethink its plans, and Mr Joshi says the company now plans to "delete the word rape". However, he defended the idea of compensating rape victims, saying it had been "wrongly understood".

PRESIDENTIAL POLL THE ELECTORATE IS SCEPTICAL AFTER RECENT ELECTIONS ENSURED VICTORY FOR PRO-REGIME PARTIES ONLY

Candidates struggle to rouse Algerian voters

By Roula Khalaf, Middle East Correspondent, in London

Candidates for Algeria's April 15 presidential elections today begin three weeks of official campaigning to lure a sceptical electorate, battered by seven years of violence and deteriorating social conditions.

Although some of the regime's strongest critics are taking part in the two-round ballot, the 17m voters have fresh memories of recent elections that ensured victory for pro-regime parties only.

Out of more than 40 aspiring candidates, seven have been declared eligible to run by Algeria's constitutional council. Much of the attention has so far centred on Abdelaziz Bouteflika, the former foreign minister believed to be backed by a large section of the military establishment.

Mr Bouteflika's election was supposed to have been assured because he is backed by several parties close to the regime. But his campaign has run into trouble as the parties behind him have suffered internal splits, suggesting divisions within the regime over his candidacy.

Opposition candidates say this setback for Mr Bouteflika and promises of fairness by outgoing president Liamine Zeroual leave them with some hope for a free election.

Three other leading contenders have been opponents of the regime and have consistently called for a political solution to Algeria's crisis and the need to return the country to the rule of law. Their participation has lent credibility to the election and added to pressures to hold a free poll.

Ahmad Taleb Ibrahimi, who held ministerial posts under the Boumedienne regime of the 1960s and 1970s, is likely to win the largest part of the Islamist vote. The Islamic Salvation Front (FIS), the banned party that was stripped of an electoral victory in 1992, is quietly backing him.

Mouloud Hamrouche, the former prime minister and leader of the reformist wing of the National Liberation Front (FLN), the former ruling party, is calling for radical reform of the system. He is winning the support of Algeria's youth.

Hocine Ait Ahmad, leader of the Socialist Forces Front (FFS), the Berber-based secular opposition party, has been the most outspoken opponent of the regime and has played a significant role in raising international concern over the violence in Algeria.

The three remaining candidates are Abdallah Jaballah, a former leader of a small legal Islamist party; Mokdad Sifi, a former prime minister; and Youssef Khatib, Mr Zeroual's campaign manager in 1995.

Raising the interest of Algerian voters in the election is essential. Analysts say opposition candidates need a high and visible turnout in their favour to counter temptations of manipulation of the results, even with extra safeguards decreed by Mr Zeroual.

Meanwhile, given the population's general disillusionment with the government and the aggravation of social problems following economic reforms, analysts say that for Mr Bouteflika to be elected in a credible poll he will need to break free of being identified as the regime candidate and convince Algerians he can lead them out of their seven-year ordeal.

Young Palestinian entrepreneurs shun Arafat's anachronistic political economy

Judy Dempsey reports from Ramallah in the West Bank on disillusionment among children of the intifada with the PLO regime

Khalil Salaam is exactly the kind of Palestinian the World Bank wanted to return home to help rebuild the economy.

Born in Ramallah, a bustling Palestinian city north of Jerusalem, Mr Salaam left when he was 18, studied in the US and for the past 15 years divided his time between running a small consultancy company and a crafts shop in Boston.

His friends who stayed behind joined the intifada, or uprising, against Israeli occupation, hoping the outcome would give this younger generation of Palestinians the chance to shape a new society. When the intifada ended in 1993, Mr Salaam returned to help his friends establish a business.

But as Yassir Arafat, Palestinian Authority (PA) president, considers whether to declare unilaterally an independent state on May 4, Mr Salaam and his friends are packing their bags. They do not, they said, want to continue living under the PA.

"It's hard to explain. But the revolution has been betrayed," said Sami Amassi, 29, a friend of Mr Salaam. "The economy and society we wanted to build after the intifada has been hijacked by Arafat and his outsiders. Those who stayed behind and fought have been marginalised."

When Mr Arafat returned to Gaza from exile in Tunis in 1994, the international community, particularly the World Bank and the International Monetary Fund, believed there was a chance to catapult this small Arab economy into the 21st century. After all, the PA was backed by donors disbursing, over a five year period, $2bn of aid. It also had a vibrant entrepreneurial diaspora.

"We knew about the Israeli closures on the West Bank and Gaza, how Israel strangled the Palestinian economy, how sewage spilled onto the streets in Gaza," said a leading western donor.

"Nevertheless, we thought there was a chance for Arafat to build strong institutions to encourage the diaspora to return, invest, consolidate civil society."

Instead, said Moshe Moaz, Middle East expert at the Hebrew University's Truman Institute, Mr Arafat reverted to the centralised, socialist ideology of the 1960s that swept across the Middle East in the wake of the post-colonial period.

"These economies were highly centralised, with power concentrated in the hands of the leader, backed by the security forces," he explained.

> **Instead of capitalising on the energy unleashed by the intifada, Mr Arafat, say critics, hijacked it**

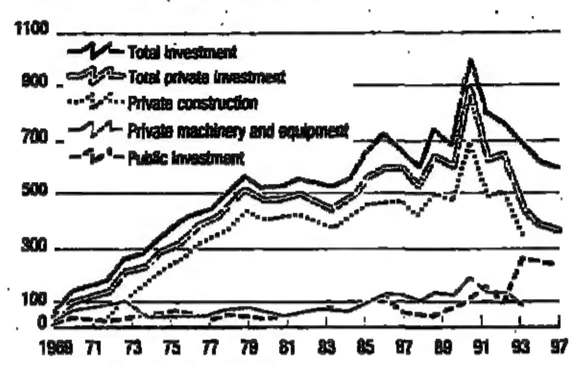
"Private investment was discouraged, the press censored, the opposition intimidated. Arafat adopted the same methods."

Ironically, said a US banker advising the PA, Mr Arafat has adopted this style of rule at a time when even Syria is considering economic reforms. "The people around Arafat are either ideologues, educated in Egypt in the 1960s under the Nasser regime, or are simply interested in power, determined to destroy the revolution the intifada tried to make," he added.

That revolution, explained Mr Amassi, involved more than ending Israeli occupation. It entailed shifting power away from the traditional landed families, to a younger, educated generation, including women, from cities and villages. It was, he said, a chance to democratise Palestinian society.

Yet on his return to Gaza, instead of capitalising on the energy unleashed by the intifada, Mr Arafat, say critics, hijacked it. Glenn Robinson, veteran academic on Palestine, noted in his recent book – Building a Palestinian State: the Incomplete Revolution – the PLO elite that took power in Palestine after 1994, "was not the same political elite that produced the intifada. The task of the outsiders was to undermine the new elite through co-option, coercion and marginalisation... aimed at consolidating the power of the Palestinian Authority".

West Bank and Gaza Strip
Gross fixed investment (millions of shekel at constant 1986 prices)



Sources: Statistical Abstracts of Israel; World Bank; IMF

In doing so, the PA's control of power has exacted a heavy toll on private investment and institution building. Between 1993 and 1997, real private investment is estimated to have declined by an average of 10 per cent a year, while private investment's share in gross domestic product has declined from 19 per cent in 1993 to 10 per cent in 1997.

IMF officials blame Israel's policy of blocking free movement of Palestinian goods and people. But increasingly, they criticise the PA's interference in the private sector, with investors complaining how PA-controlled holding companies try to take a 25 per cent stake in large foreign investments.

No effort, add investors, has been made to unify the (Jordanian) West Bank and (Egyptian) Gaza legal systems, a move that would provide judicial consistency, over, for example, property rights and licences.

The IMF has also criticised the PA's refusal to consolidate the budget, which excludes at least an annual $100m it receives from Israel in excise payments. Profits and excise duties from the petroleum, tobacco and cement monopolies controlled by Mohammad Rashid, Mr Arafat's economic adviser, go unrecorded, said a US official.

"There is minimum accountability, minimum transparency, minimum rule of law," he said.

That is why, said Mr Salaam and his friends, they are going abroad. "We'll return when Arafat's own revolution has run its course," said Mr Amassi.

NEWS DIGEST

ANALYSTS FEAR FURTHER FALLS

Nigeria bows to pressure and devalues currency

Nigeria's central bank succumbed yesterday to long-term pressure on the currency, devaluing the naira by 4.2 per cent. The fall from N86.25 to the dollar to N90 will be welcomed by the International Monetary Fund, whose officials have long argued that the naira was pegged at an artificially high rate, detrimental to the competitiveness of Nigerian non-oil exports. But analysts say that if the elected government – due to be in office by May – respects the new autonomy of the central bank it could be only the start of a painful depreciation.

For more than six months the naira has been pegged at 86 to the dollar. Officials at the central bank, which conducts a weekly managed foreign currency auction, said the decision to devalue was prompted by excess liquidity in the banking system and an attempt to reduce the parallel market premium. It may also reflect concern over dwindling foreign reserves.

These stand at about $6bn, but much of that has already been accounted for. Finance officials say that in recent months the reserves have been freely used to support the naira. **William Wallis, Lagos**

SOUTH AFRICA

Boesak jailed for six years

Allan Boesak, one of South Africa's best known anti-apartheid fighters, was sentenced yesterday to six years in jail for theft and fraud involving money given by foreign donors including US musician Paul Simon and a Swedish government aid agency.

Boesak and Archbishop Desmond Tutu were among the most prominent campaigners against white minority rule who stayed in South Africa during the last years of apartheid, which ended in 1994. As head of the Geneva-based World Alliance of Reformed Churches, Boesak also led the successful effort in 1982 to have apartheid declared a heresy, striking directly at what many white Afrikaners believed at the time was a deep religious justification for white domination.

Boesak, who lost his job as South African ambassador to the United Nations when the scandal broke, said he would appeal. **Nicholas Shaxson, Cape Town**

ISRAELI STRIKES

Unions step up wage pressure

Israel was yesterday paralysed by public sector strikes which hit transport, schools, hospitals and ministries, as the trade union federation stepped up pressure for higher wages. Amir Peretz, head of the Histadrut union who is also leading his own Workers' party in the May elections, is seeking at least an 8 per cent wage increase over inflation, which was 8.6 per cent last year.

The finance ministry said it was prepared to offer an increase of 3.85 per cent to reflect the continuing fall in inflation. Consumer prices dropped last month by 0.8 per cent, the biggest fall for 13 years.

The strikes, the second in a week, have been criticised by Benjamin Netanyahu, Israeli prime minister, as a political ploy by Mr Peretz to gain support ahead of the elections. **Judy Dempsey, Jerusalem**

THE PINOCHET JUDGMENT

VIEW FROM BRITAIN

Months of legal battle still ahead

By Andrew Parker and Jimmy Burns in London

Jack Straw, the British home secretary (internal affairs minister), is likely to give a fresh authorisation for a UK court to consider extradition proceedings against Augusto Pinochet, the former Chilean dictator.

Government officials say he is not expected to reverse his original decision last December to give the courts an "authority to proceed" with consideration of the Spanish extradition request.

Mr Straw will, however, *formally have to decide* whether that authorisation is still valid in the light of the new Law Lords' ruling. But officials said yesterday it was difficult to see how he would reverse his original decision because the Law Lords had concluded, by a majority of six to one, that Gen Pinochet still faced extraditable charges.

The officials said that at worst Mr Straw would have to issue a new authority to proceed, based on the reduced number of extraditable charges. "*If every* charge had been excluded that would be different matter. There are some remaining," *an official said.*

A Home Office spokesman said Mr Straw would reconsider the case in the light of the new ruling by the Law Lords "which covers extremely complicated legal issues".

"The home secretary will, as in all individual extradition decisions, be guided by general principles of fairness ... He will try to deal with this as swiftly as possible," the spokesman said.

The government has struggled to insist that Mr Straw is not allowing political considerations to influence his quasi-judicial decision about the Spanish extradition request. Shortly after Gen Pinochet's arrest in London last October, another British minister said it was "gut wrenching" to see the former dictator claiming diplomatic immunity.

In the House of Commons, parliamentarians from the governing Labour party cheered when told that the Law Lords had decided Gen Pinochet did not enjoy immunity as a former head of state. He is the *bête noire* of many Labour MPs.

However, Norman Fowler, a spokesman for the opposition Conservative party, said: "The Law Lords have said that in view of the very substantial reduction in the number of extraditable charges, the home secretary will need to reconsider the matter. The home secretary should do so without delay and recognise that it is now overwhelmingly in the public interest for this case to be bought to an end and for the senator to return to Chile. The alternative is that we have protracted legal proceedings dragging on for month after month."

Mr Straw will continue to *face pressure from pro- and* anti-Pinochet MPs.

Ann Clwyd, the leftwing Labour chair of the parliamentary human rights groups, said: "This was a good majority verdict that Pinochet can be extradited and some of the charges holding. I would hope that this will help Jack Straw's resolve not to let him go."

She said that if legal moves to bring Gen Pinochet to trial in Spain failed, she would back efforts to take cases against the former dictator to the European Court of Human Rights.

Lord Lamont, a former Conservative minister and a supporter of Gen Pinochet, said he wanted Mr Straw to stop all further legal proceedings and allow him to return to Chile.

Jubilant anti-Pinochet protesters outside the UK House of Lords in London yesterday Reuters

SPANISH REACTION

A pyrrhic victory for Madrid

By David White in Madrid

The Law Lords' decision partially supporting the Spanish case against Augusto Pinochet was a victory the Madrid government would rather not have won.

Since the Chilean ex-president's arrest in London last October at the request of a Spanish investigating magistrate, the centre-right government has found itself in the uncomfortable position of pursuing an extradition case against its own volition.

The state prosecutor's office tried several times to block the magistrate's efforts, but without success. Eventually the government decided it had no alternative but to submit a formal petition for extradition.

As the complex process swung back into motion yesterday, the Law Lords' decision revived Spanish anxieties about the impact on relations and business links with Chile.

Whether or not Gen Pinochet is finally sent to Spain, the case will cast a shadow over defence contracts and big Spanish investments ranging from banking to telecommunications.

The long-delayed finding on Gen Pinochet's claim to immunity has come at a particularly awkward moment for Endesa, Spain's leading power company, in the midst of a controversial bid to gain a dominant position in Chile's electricity industry.

The Spanish company will make a second attempt next week to win approval from shareholders of Chile's Enersis conglomerate for a plan which would allow it to double its existing stake and gain outright control.

Spanish legal experts expect the Pinochet case to drag on in the UK for at least several months before it is decided whether the former dictator can be sent to Spain and committed for trial.

Baltasar Garzón, the investigating magistrate, is expected to maintain his charges, despite the Law Lords' decision to rule out torture cases before 1988, when the UN's Convention against Torture was ratified by both Chile and the UK. This leaves only a few cases in the last year and a half of Gen Pinochet's 17-year rule.

Spanish law specifically provides for jurisdiction – no matter where crimes are committed, by whom or against whom – in cases of genocide, terrorism and other crimes covered by international treaties. Experts said Mr Garzón could invoke the UN Convention against the Taking of Hostages, which Chile and the UK ratified in the early 1980s.

Experts said the case was breaking new ground in testing whether a country could try aliens for certain crimes committed against other aliens in another country.

One precedent exists in a civil case brought in the US against a Paraguayan police officer, for the death in 1976 of the teenage son of a doctor and human rights activist, allegedly under torture. The complaint was initially dismissed, but upheld in an appeal in 1980, by when the accused man had fled back to Paraguay.

"What we are seeing here is absolutely new," said one Spanish criminal lawyer.

CHILEANS REACT PROTESTS IN SANTIAGO

Judges' votes greeted like football goals

By Martin Mulligan in Santiago and Jimmy Burns in London

Supporters and opponents of General Augusto Pinochet both claimed victory yesterday as the former Chilean president faced a continuing legal battle to decide his future.

In Santiago, a handful of arrests were made in the city centre as police turned water cannons on students welcoming the verdict.

Outside the Houses of Parliament in London, some 200 anti-Pinochet demonstrators danced jubilantly as they heard the Law Lords' verdict as it came over their transistor radios. The votes of the judges were greeted like goals of a crucial football match.

"The ruling maintains the principle that violations against humanity are an extraditable offence and we should celebrate that," said Edmundo Garcia, one of the demonstrators.

Another, Jimena Lopez, said: "I am just so happy. It has been so long for all of us, but now we can have justice".

However, Patrick Robertson, the personal adviser to General Pinochet in the international campaign to have him freed, said the former president was "delighted" that most of the charges against him had been dropped.

"He is concerned that he remains under detention but we will fight on to ensure his safe return to Chile."

Pro-Pinochet campaigners said that the ruling had come as no surprise and had greatly strengthened the former president's chances of eventually being able to return to his country.

Police in Santiago reported scuffles as *Pinochet* supporters demonstrated outside the British Embassy over what they saw as the ambiguous nature of the verdict. But there were no arrests. Opponents of *the former dictator* marched through the streets of central Santiago.

Further demonstrations were expected *later in the* day outside the Spanish and British embassies.

The Chilean government appealed to the population to "act with maturity" over the next few days as it consulted lawyers on the implications of the ruling.

Jorge Arrate, government general secretary, said: "We are asking Chileans from all sides to receive this latest news with tranquillity".

Hernan Briones, president of the Pinochet Foundation, called on the *government* to intervene in the extradition process to ensure "the speedy return of Gen Pinochet.

"This is the only way that we can re-establish normality in the function of Chilean institutions," he said.

Legal experts have predicted that the administration of President Eduardo Frei will also come under pressure from military leaders to defend the state's sovereign rights in what is now a political case.

Hernan Montealegre, a leading Santiago lawyer, said the ruling meant Gen Pinochet had been legally detained in London and could continue under detention within the law.

However, he described it as "a scandal that crimes had been committed" by the military government after 1988, when the country had already voted for democratic elections and an end to the dictatorship.

"This means that we had a government that was so committed to torture that there were cases after 1988," he claimed.

The Santiago Bolsa (stock exchange) fell sharply immediately after the verdict but recovered in mid-day trading.

THE AMERICAS

Sharp decline in US durable goods orders

By Gautam Malkani in Washington

Orders for US durable goods recorded their biggest drop in seven years last month, moderating recent indications of a pick-up in manufacturing.

The 5 per cent fall to \$191.8bn in February marked the first decrease since October, the Commerce Department said yesterday. Analysts had expected a drop of 2-2.4 per cent.

The largest decrease was recorded by the volatile transport sector, down 14.3 per cent to \$44.9bn, led by an expected fall in aircraft demand following a 13.5 per cent rise in January. A surprisingly big drop in orders for electronic components pushed the electronic equipment category down 8.5 per cent to \$32bn.

Excluding transportation, new orders fell 1.7 per cent, also the first decline since October.

The figures followed a survey earlier this month by *the National Association for* Purchasing Management, suggesting that factories long held back by weak export economies were showing growth after eight months of decline.

David Greenlaw, economist at Morgan Stanley Dean Witter, said falling demand for aircraft reflected the unwinding of previous increases that did not recur every month. But he was surprised by a fall in motor vehicle orders in light of recent strong sales.

He said that while defence orders fell 38 per cent, they were expected to swing the other way in coming months because of planned increases in military spending.

Dave Huether, director of economic analysis at the *National Association of Manufacturers*, also suggested yesterday's data did not necessarily point to a weakening manufacturing *sector*. "Unfilled orders are a better gauge of future production *since new orders can be* filled out of existing inventories."

Unfilled orders only fell 0.4 per cent in February.

Ian Shepherdson, chief US economist at High Frequency Economics, said the figure should not be read as a sign of industrial weakness, pointing out that in the three months to February orders rose at an annualised rate of 14 per cent, or 10 per cent excluding transportation.

The Commerce Department also said shipments of durable goods fell 0.1 per cent to \$194bn in February – the second monthly decrease following seven consecutive increases last year. New orders of industrial machinery and equipment were also down for the second month, by 0.4 per cent to \$37.1bn. January's 3.3 per cent rise in new orders was revised *down from 3.9 per cent.*

US stands in way of global accounts rules

By Richard Waters in New York

The final, and toughest, hurdle in efforts to produce a single set of global accounting rules is now in sight – namely, persuading US securities regulators to make what amounts to a giant compromise for the sake of international standardisation.

But even though desirable in principle, this may still be an idea ahead of its time, to judge by the reactions at a conference on the subject earlier this week, attended by many US accountants and corporate executives.

The US Securities and Exchange Commission has just launched a formal review of the accounting rules established by a global group, the International Accounting Standards Committee *(IASC). The US* and Canada are the only large countries that do not already allow foreign companies *which comply* with the IASC standards to raise capital in their markets. The US *insists on the use of its* GAAP (generally accepted accounting principles) – a body of rules that represent the toughest financial reporting regime in the world.

The IASC has spent the past four years trying to produce a set of rules that are tough enough to change the SEC's mind.

There is certainly demand for such a move. "Global standards are inevitable," Philip Ameen, comptroller at General Electric, said at the conference in New York this week, organised by the Conference Board. "We, like every multinational, have an incentive and we will certainly embrace them."

The question, though, is whether the SEC is ready to see things this way.

The international standards were still looser than those already in force in the US, *James Leisenring, vice-*chairman of the Financial Accounting Standards *Board, said after addressing* the conference. US companies would object to allowing foreign competitors into their domestic financial market on easier terms.

Meanwhile, with the US financial markets in fine shape – and foreign companies rushing to raise money in New York – US regulators have little incentive to make concessions. In addition, the lack of harmonised accounting had not stopped the rest of the world beating a path to the US markets, said Mr Ameen.

Staff members of the SEC are unwilling to prejudge the outcome of their review of the IASC rules, but their comments suggest the bar has been set at a high level.

Nearly half of the international standards had yet to come into force and so remained untested, said Mary Tokar, a senior SEC *accountant.*

Hedge funds warned of curbs

By Richard Wolffe in Washington

The US House of Representatives yesterday warned it would consider direct regulation of the hedge fund industry if measures to supervise the industry indirectly – through the banking system – failed.

Members of the House financial institutions subcommittee urged banks to improve their scrutiny of hedge fund risks in the wake of the near-collapse of Long-Term Capital Management last year.

Marge Roukema, chairwoman of the committee, welcomed bank regulators' efforts to step up their supervision of bank lending to hedge funds. She said: "Quite frankly, I think indirect regulation, through reg*ulation* of the banks and securities firms, should be given an opportunity to work. I am somewhat worried that direct *regulation* will lead to hedge funds going offshore.

"I want to make it clear, however, that if indirect regulation does not work, I am willing to look at the direct regulation of hedge funds."

The warnings yesterday follow indications from influential House members earlier this month that they were considering a *range of* measures – from new legislation to tighter regulation – to tackle the risks posed by hedge funds to the international banking system.

However, bank regulators repeated their insistence yesterday that any efforts *to* regulate hedge funds would force the funds to move offshore.

Instead, William *McDon*ough, president of the Federal Reserve Bank of New York, urged banks to improve their *analysis* of hedge fund operations. Hedge funds' activities are largely unsupervised. However, US regulators *issued* strict guidelines governing bank dealings with them this year.

Sanctions waiver sought over Iran

By Nancy Dunne in Washington

Pressure *is* building on the Clinton administration for a one-time waiver of sanctions against Iran to allow the sale *of wheat, maize, sugar* and other agricultural products worth \$500m to the country.

The US Senate this week unanimously passed a resolution asking the administration to approve the sale. Sen*ator Larry Craig, an Idaho* Republican who sponsored the resolution with Senator Byron Dorgan, a Democrat, said: "It is high *time for the* administration to act."

Low prices and bad weather are driving many US *farmers into bankruptcy*, and Washington is searching for ways to help them. At the same time the administration has been looking for unobjectionable ways to improve economic relations with Iran.

Richard Bliss, president of Niki Trading Company, which secured the contract with Iran, said he expected approval in the next two weeks.

The proposal is for the sale of 2m tonnes of wheat, 400,000 tonnes each of maize and sugar, 300,000 tonnes of rice and "significant quantities" of soyabean oil and meal.

"This would be a small step on both sides to try to show goodwill in a costless way," said *Dan Byman* of Rand Corporation, a US think tank. However, it could not be assumed that Iran's acceptance of the deal indicated a significant policy shift.

Meanwhile, there were other moves yesterday on Capitol Hill to reduce the impact of sanctions imposed for foreign policy purposes. Twenty-seven senators, including Trent Lott, Senate majority leader, announced support for the Sanctions *Process Reform Act*, which would exclude food and medicine exports from the US sanctions arsenal.

Mexican bank chief signals shake-up for battered sector

The doors to foreign institutions may also be opened wider, write **Henry Tricks, Richard Lapper** and **William Dawkins**

Mexico's central bank governor has forecast *a shake-up in the* country's banking sector this year and said that a merger between the two biggest banks was possible.

Guillermo Ortiz said in an interview with the Financial Times this week that foreign *banks* might also step up their presence in Mexico, which could involve the acquisition of stakes in Bancomer and Banamex, the two leading banks.

That would be a significant change in a country that has lagged behind other Latin American markets in attracting foreign participation as their economies *develop. Only* about 15 per cent of the banking system is controlled by foreign banks, compared with 40 per cent in Argentina, for example.

Referring to speculation that Banamex and Bancomer were in preliminary merger talks, Mr Ortiz said: "We have had informal notice that there may be that intention."

He also forecast a turnround in overall economic performance in Mexico after a sharp slowdown in the last three months of 1998, partly as a result of stronger growth in the US.

"My view is that we are already beginning to see an upturn," Mr Ortiz said. "The economy is bottoming out this quarter."

The Mexican economy is widely expected to be one of the best performing in Latin America this year, but its banks are still recovering from the financial crisis of 1995 and are among the weakest in the region.

Mr Ortiz said potential advantages of a merger would be "huge cost savings and increased efficiency". On the other hand it would give one bank control of about 40 per cent of loans and deposits in the banking system and might be opposed by competition authorities.

The bank governor said it would be a mistake for authorities to decide whether consolidation in the sector should come from domestic mergers or foreign takeovers. But he said it was clear that "recomposition had to take place. We obviously need to strengthen and capitalise the system going forward."

Mexican banks have staged a sharp recovery since the government won congressional agreement in December over a proposed clean-up of some \$65bn in bad debts run up since 1994. In addition, sharp falls in interest rates in the last two months and the possibility of stronger than expected economic recovery have boosted prospects. Share prices of leading banks have doubled this year.

However, banks are still lending less than they were in 1994, forcing big business to shop abroad for loans. Mr Ortiz said banks had raised provisions for less than two-thirds of their past-due loan portfolio compared with a target of 100 per cent, and needed fresh capital as well.

As part of the bad-debt agreement in December, Congress scrapped remaining restrictions on foreign ownership of Mexican banks, turning Banca Serfin, as well as Bancomer and Banamex, into potential takeover targets.

North American and European, especially Spanish, banks have steadily increased participation in Mexico's banking system in recent years, far less than elsewhere in the region.

HSBC of the UK has a 30 per cent stake in Serfin; Spain's Banco Bilbao Vizcaya and Santander have their own Mexican banks; and Canadian banks have minority stakes in Bancomer and Serfin.

The US has moved more slowly, and only Citibank has bought a Mexican subsidiary. Bank of America is also thought to be interested in a Mexican acquisition.

Guillermo Ortiz: 'We are already beginning to see an upturn. The economy is bottoming out this quarter' Associated Press

CELLPHONE STANDARDS DECISION TO EMBRACE US TECHNOLOGY ALONGSIDE EUROPE'S TIPS BALANCE OF POWER

China ignites battle over mobile phones

By James Kynge in Beijing

China's plan to embrace CDMA, the mobile telephony standard created by the US company Qualcomm, could prove hugely beneficial to North American manufacturers which are developing the equipment.

It could mean a significant shift in the balance of power in digital mobile communications away from Europe, where Nokia and Ericsson and Siemens are in the driving seat, and towards US manufacturers such as Lucent and Motorola.

Looking further into the future, it could have a decisive influence on the next generation of mobile telephony equipment.

China, the world's second largest and fastest growing mobile telephone market, is regarded as having a crucial influence over which technological standard – European or US – will dominate global mobile telephony in the next decade.

Until now, it has been regarded almost as certain that Chinese mobile telephony would contimnue to be based on GSM, the technology champiuoned by European manufacturers such as Nokia and Ericsson.

This would have had the effect of shutting out CDMA, the rival second generation standard developed by US companies such as Motorola, Lucent and others. However, the US manufacturers have covered their bets by working on both sets of technology.

The Chinese decision, however, not only opens the door to sales of CDMA in China but means that the next generation of China's mobile phones could be based on the same technology.

China's plan puts CDMA back on the agenda for third generation standards in China," said Ken Zita, managing director of Network Dynamics Associates, a telecoms investment consultant in New York.

As such, China's decision to embrace CDMA is a double blow for the Europeans. Their dominance of the China market, in which virtually all of the 25m subscribers use GSM phones, cannot but be eroded by the introduction of a rival – and incompatible – system.

Furthermore, the assiduous work that companies such as Ericsson and Nokia have been doing to coax China into chosing a third generation standard compatible with the European WCDMA standard may now be undercut.

Michael Ricks, president of Ericsson China, said his company had been conducting joint trials on WCDMA with China's ministry of information industry (MII), and has been transfering mobile standards technology. He added that the transfer of "product technology is certainly something we will enter into with the Chinese".

China welcomes the transfer of such technology because it may then be passed on to several "local champion" manufacturers which, Beijing hopes, will one day be able to compete with the world's best.

The roll-out of CDMA in China would allow Beijing to pressure US manufacturers to transfer their third generation technology – CDMA 2000 – in the same way as the Europeans are doing, a Chinese telecoms official said. This might convince Beijing to opt for a standard compatible either to US mobile phones, or to both European and US technologies.

"The Americans would be wise to transfer their CDMA-2000 technology. It can only help them in the Chinese market," the official said.

Telecoms industry analysts said that a desire to play European manufacturers off against their US rivals in an attempt to win technology transfers was probably a key motivation behind the planned approval of CDMA in China.

However, China Unicom will have to overcome some considerable hurdles in establishing its planned CDMA network, analysts said. A Unicom official said that the company's plan was to rely on bank credit to finance imports of US equipment to start a CDMA service in several dozen Chinese cities this year, attracting more than 1m customers by the year end. By 2003, the company hopes to have 40m subscribers nationwide.

But analysts were sceptical that the investment necessary, estimated at more than $10bn by 2003, could be raised by bank credit alone. Foreign investment to build CDMA service networks, as well as foreign knowhow on how to run them, will probably be crucial, analysts said.

This may mean that China will have to retreat from its current moratorium on direct foreign investment in telecoms services.

Optimists believe that it could induce Beijing to allow for the first time direct equity participation in telecoms services – a breakthrough that would have a significant positive impact on China's long-stalled bid to join the World Trade Organisation.

A woman speaks on her mobile phone outside a Shanghai salon. China is the biggest and fastest growing cellphone market Reuters

THIRD GENERATION MOBILE PHONES

Hope fades for single global standard

By Alan Cane in London

The possibility of a single worldwide standard for third generation mobile phones seems to have faded for the moment, condemning subscribers to years of using different phones in different countries and pushing up research and manufacturing costs.

The radio communications committee of the International Telecommunication Union (ITU), the United Nations organisation with responsibility for global telecoms standards, met in Fortalcza, Brazil, last week with the object of setting specifications for a single, global standard to be known as IMT-2000.

It also hoped to resolve an argument over intellectual property rights between Qualcomm, the US manufacturer which has developed CDMA technology and Ericsson, a leader in the European GSM technology.

The indications are, however, that the committee has been forced to accept a compromise solution in which three separate standards would be entertained: CDMA2000, based on Qualcomm's technology and likely to be used chiefly in the US – and possibly China, W-CDMA, the European-agreed standard known as UMTS which will be used in Europe and many parts of Asia including Japan, and TDMA (formerly D-AMPS another digital standard), supported by chiefly US groups like the Universal Wireless Communications Consortium.

It seems that the ITU has now turned the family of standards back to the manufacturers for implementation.

There has also been no resolution of the quarrel between Qualcomm and Ericsson which turns on key patents to CDMA technology – which most experts accept can have a superior performance to the de facto digital world standard GSM – which are held by Qualcomm but disputed by Ericsson.

EU on course to impose aircraft noise measure

By Neil Buckley in Brussels

The European Union appears on course to adopt a ban on aircraft fitted with engine mufflers in European airspace, in spite of last-minute requests from the US to hold back.

However, there were suggestions yesterday that transport ministers – due to endorse the measure next Monday – might postpone the start of the new legislation from the original planned date of April 1.

Both the EU and US are anxious to prevent the issue from escalating into another trade row following the clashes over the EU's banana regime, and ban on imports of US hormone-treated beef. The US Senate is considering plans to ban Concorde flights to the US from the UK and France if the EU adopts the ban.

The EU legislation would freeze aircraft fitted with mufflers – or "hushkits" – registered in the EU as of April 1, and would ban from April 2002 similar aircraft registered in third countries not already operating before this April.

The 15-nation bloc says older aircraft fitted with hushkits do not always meet modern noise limits, and the clampdown is an environmental measure designed to reduce noise pollution around crowded European airports.

The US, biggest user and producer of hushkit technology, says the move imposes a design standard not based on actual performance, and which would cause unfair damage to its airline industry.

Rodney Slater, US secretary of transportation, is touring EU capitals urging transport ministers to reconsider.

Speaking in Brussels yesterday after meeting the German and Belgian transport ministers, and the European Commission, the EU executive, Mr Slater said he hoped EU ministers would at least discuss the measure on Monday, rather than simply rubber-stamp it as planned.

Mr Slater was due to meet the French minister last night and travel to the UK today.

The US transportation secretary has offered to work closely with the EU on speeding up efforts to adopt a new, tougher international standard on aircraft noise, through the International Civil Aviation Organisation, as a way of defusing the row.

He warned yesterday that if the EU went ahead with its proposed clampdown, it would be more difficult to persuade US industry to back new international standards.

The European Commission, which drew up the measure – so far backed by the European Parliament and EU ministers – said yesterday it still expected the ban to be adopted on Monday.

"Our understanding is that it will be endorsed on March 29," said one official. "But member states make the law, so until Monday, who knows?"

Cosmetics makers to limit testing on animals

By John Willman, Consumer Industries Editor

Europe's cosmetics manufacturers are to stop using animals in tests on their finished products and in most tests on ingredients to head off the threat of an EU ban on such tests.

The ban – originally planned for 1998 – has already been delayed once in the absence of agreed alternatives to animal testing which could guarantee consumer safety. It is now due to come into effect from July 1 2000, subject to a review of its feasibility by the European Commission before the end of this year.

The Commission says it expects to complete the review by then, and that the decision to end much of the animal testing will make it easier to win support for a second postponement.

"We want to be as restrictive as possible on animal testing," the Commission said. "But if other methods are not available we cannot replace animal testing with testing on humans."

However Colipa, the industry's European trade association, is concerned that the review could be a casualty of last week's resignation of the Commissioners, leaving uncertainty over a ban with serious implications for the industry.

"To guarantee safety without animal experiments on the final products is a major milestone," said David Clark, chairman of Colipa's committee on alternatives to animal testing. "But we can't yet guarantee consumer safety without some animal tests on ingredients."

From the end of the year, Colipa members – some 2,500 manufacturers employing more than 500,000 people – will no longer use animals for testing the safety of their finished products. These include toiletries such as shampoo, toothpaste and deodorants as well as conventional cosmetics and sun screens.

They will also stop using animals in four of the six biggest classes of tests on ingredients, including those for skin irritation and skin penetration. These will be replaced with alternative product safety checks based on new technologies, computer simulations and the use of databases.

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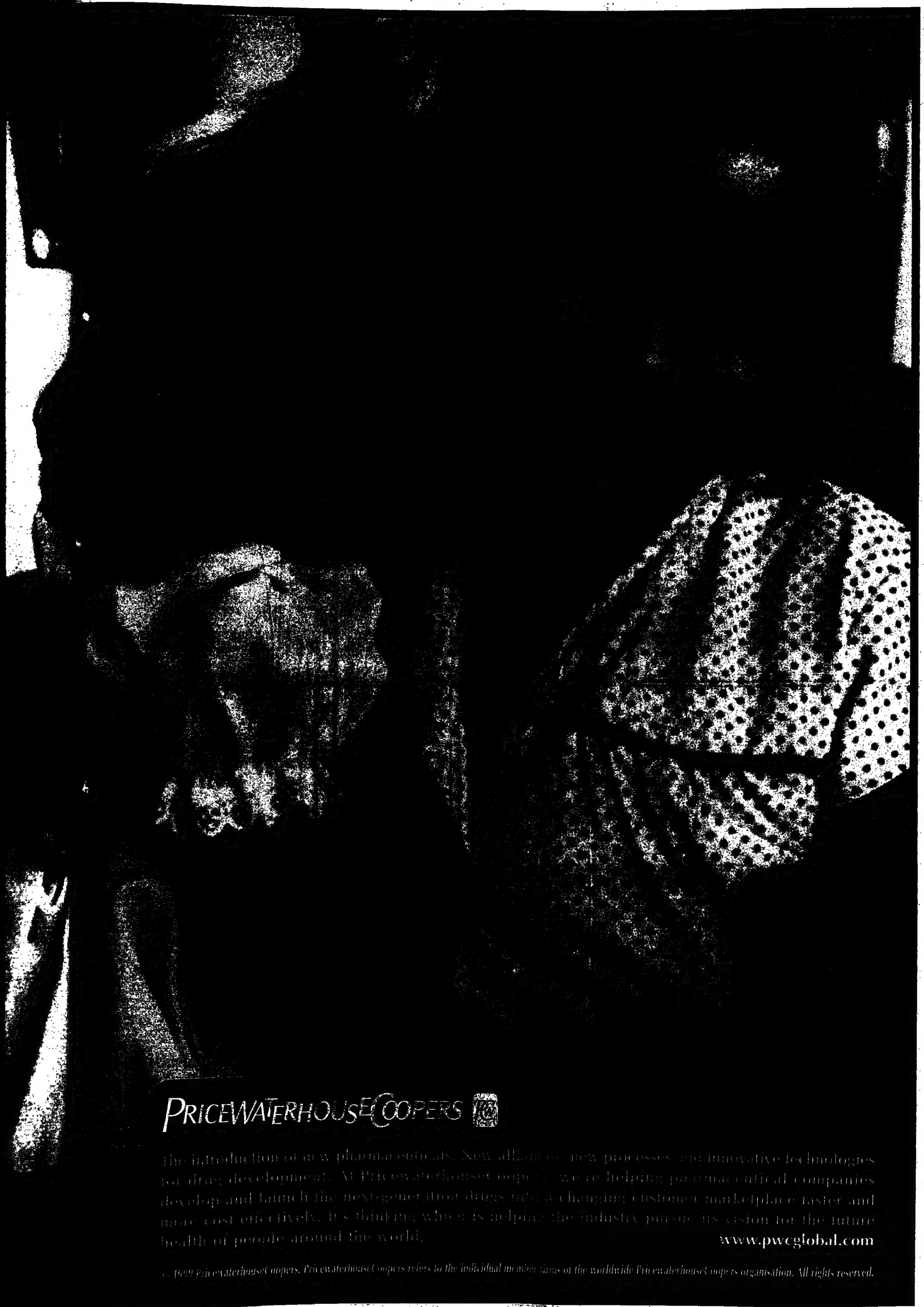


FUNDING BY COMPANIES SHAREHOLDER APPROVAL WOULD BE REQUIRED UNDER PROPOSALS TO BE OUTLINED TODAY

Law on political donations to be tougher

By David Wighton, Political Correspondent

Companies would be required to secure shareholder approval for political party donations under government proposals to be announced today.

Stephen Byers, chief industry minister, will signal his support for a change in the law as part of his drive to increase shareholder involvement in corporate policymaking.

The move is expected to lead to a further decline in political donations by companies. This would hit the stretched finances of the Conservatives, the biggest opposition party and a traditional heavy recipient of company donations.

Existing regulations allow directors to make political donations without reference to shareholders, although the amounts must be recorded in annual reports.

The few companies that have put proposed donations to shareholder votes have encountered significant opposition. Stuart Bell, research director of PIRC, the corporate governance consultancy, said opposition had run as high as 30 to 40 per cent. "There haven't been many votes but they have attracted far higher levels of opposition and abstention than virtually any other resolutions," he said.

Mr Bell said a number of big institutional investors were opposed to political donations in principle and the government's move would lead to a further decline in corporate funding.

Donations have been falling for years because of increased shareholder concern about the appropriateness of trying to influence the political process. The trend has made the Conservative party more dependent on funds from rich individuals and party members.

The report on political party funding by the Neill committee on standards in public life last year recommended that companies be required to obtain prior approval for donations and that all forms of political sponsorship be declared in annual reports. Only cash payments have to be recorded at present.

Mr Byers is expected to propose that boards be required to gain permission from shareholders at least once every four years at company annual meetings.

The proposals are expected to suggest that directors of companies that fail to obtain approval could be forced to repay any donations from their own pockets.

● The government's minimum funding requirement was branded a failure yesterday by the National Association of Pension Funds, which called for it to be abolished, Jane Martinson writes. Peter Murray, association chairman, said the solvency standard would damage pension funds by requiring them to hold more lower yielding assets, such as bonds, than was necessary.

The requirement, which forces pension funds to match their liabilities to their assets, has been heavily criticised since it was introduced in 1995.

Multilingual capital hijacks market for airline call centres

Sathnam Sanghera and **Bertrand Benoit** report on London's cosmopolitan skills base

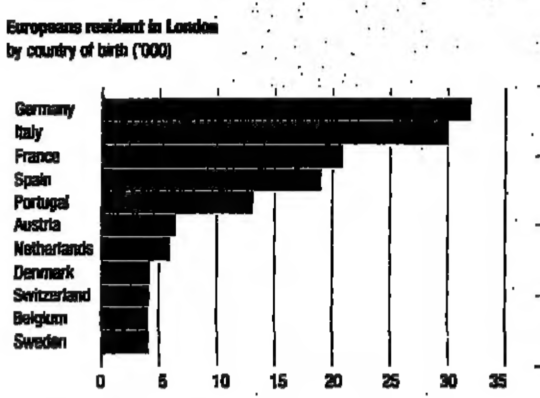
Cross-border communication

Best cities in terms of language spoken

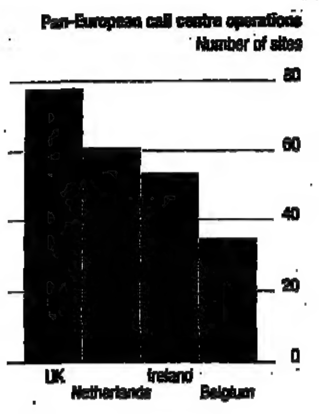
City	Rank 1997	Rank 1996
London	1	1
Amsterdam	3	2
Brussels	2	3
Paris	5	4
Zurich	4	5
Frankfurt	7	6
Geneva	6	7
Stockholm	8	8
Dublin	15	9
Copenhagen	9	10

Score based on survey of European company executives

Europeans resident in London by country of birth ('000)



Pan-European call centre operations
Number of sites



Sources: Healey & Baker; London Research Centre; 1998 European Call Centre Location Study, Mitial Research

London is increasingly recognised as the language skills capital of Europe, despite the UK's long-standing reputation for linguistic inability.

Today's announcement from Air France that it will gather nine European sales centres into a call centre in London is the latest in a series of pan-continental consolidations by airlines in the capital.

Companies such as Air France, Delta Airlines and TWA are becoming aware of the wealth of language skills in London, which has 33 resident communities of more than 10,000 people born outside the UK. When one site has such a range of languages there seems little reason to run a network of centres across Europe.

Air France's other centres – in cities including Brussels, Rome and Frankfurt – will have closed by the time the London site is fully operational in April 2000. Subsequently, a caller from Barcelona booking a ticket to Paris will be put through to London where a Catalan speaker will deal with their enquiry. Customers should have no idea that calls are being dealt with outside their home country.

Frederic Verdier, who will run the new sales centre in the London suburb of Wembley, says Air France chose London from a shortlist of three European cities. "London is probably one of the most cosmopolitan cities in Europe and is ideal for the recruitment of multilingual staff," he explains.

TWA and Delta Airlines already have European call centres in London. The TWA operation takes enquiries from the UK and France but there are plans to expand it. Delta was one of the first companies to consolidate in London. Its call centre has doubled in size since it opened in 1996 and now handles 1.2m calls a year in more than 10 languages. The consolidation is continuing and 80 German speakers have recently been taken on to compensate for the imminent closure its Frankfurt centre.

"We had no difficulties in recruiting London staff equipped with language skills of a mother-tongue standard for each of the 13 European countries that Delta's London call centre now represents," says the airline.

London has 33 resident communities of more than 10,000 people who were born outside the UK

Delta chose to locate in London after considering sites in the Republic of Ireland and the Netherlands. Ireland had a good supply of graduates but Delta felt that only native speakers could provide the level of communication skills required.

Steve Shacklock, a director of Euro London Appointments, a consultancy specialising in recruiting professional multilingual staff, says London provides "endless" linguistic talent. "We are now even supplying language speakers to Dublin and Amsterdam from London, which are traditionally regarded as being hotbeds for language skills," he says.

The UK now has about 100 substantial pan-European call centres, according to a 1998 survey by Mitial. This is more than the Benelux countries, where citizens typically speak more than one language.

"There's not a language under the sun that can't be sourced in London," said Sara Barclay Hudson, a director of London-based 7C, a provider of out-sourced multilingual call centre services for companies such as AT & T. "There's no question about it. In terms of quality, diversity and availability, the language skills available in London are better than anywhere else in the world."

French trade-union officials are sceptical about the claim that London was chosen by Air France for its pool of linguistic skills. "Britain was not picked by accident," says Bernard Boulineau, an official of the Confédération Générale du Travail, Air France's most powerful union for ground personnel. "The London call centre has been created in order to cut wage costs at the group level."

Receivers called in at another debt-hit soccer club

By Patrick Harverson in London

The financial crisis in the lower reaches of professional soccer claimed another victim yesterday when Second Division Luton Town was forced into receivership with debts of about £3m ($4.9m).

Luton is the fourth club to call in insolvency practitioners this season, joining Crystal Palace, Portsmouth and Chester City at the bottom of the game's financial league table. All have struggled to stem losses,unable to generate sufficient revenue to cover rising costs, particularly player wages.

Luton appointed accountancy firm Buchler Phillips as receivers after David Kohler, the club chairman, was unable to agree to sell his majority stake to fellow directors.

Mr Kohler decided to leave the club after Luton failed to win government planning permission for a new stadium. Last year, Luton lost almost £1m on turnover of £4.2m.

Judging from other recent receiverships, Buchler Phillips is likely to put some of the team's players up for sale.

Soccer has a history of financial difficulties but the recent failures are unprecedented and highlight the growing pressure on clubs.

The main problem has been the inability of clubs to control player wage increases, or at least raise revenues to keep pace with them. The problem is exacerbated when, as in the case of Crystal Palace, the club spends heavily on players in an ultimately unsuccessful attempt to win promotion to a higher division.

Tom Burton of Kidsons Impey, the accountants acting as administrators at Portsmouth, said of the club's predicament: "The huge problem is that First Division incomes do not sustain the current level of First Division player wages."

Since arriving at Portsmouth, he has sold or released on loan seven players, reducing the monthly wage bill of £300,000 by £30,000. Other measures have helped reduce losses from £35,000 to £10,000 a week, but the club still has debts of £7m.

The club in the worst situation is Crystal Palace. Since it was acquired by Mark Goldberg, a computer industry tycoon, for £23m last year, the club's financial position has steadily worsened. It has debts of £9m and is losing £500,000 a month.

Strong pound pushes trade deficit to record

By Christopher Adams, Economics Staff

The UK's trade deficit with the rest of the world has swelled to a monthly record owing to slower economic growth in Europe and the effect of sterling's continued strength on exports.

Official figures showed that the global trade in goods deficit rose from £2.24bn to £2.83bn ($4.6bn) in January, its highest yet. Analysts said the widening trade gap strengthened the case for further cuts in interest rates by the Bank of England, the UK central bank.

Brian Wilson, trade minister, blamed the global economic slowdown for manufacturers' problems, and the collapse of markets in south-east Asia in particular.

The deterioration in the balance of trade was broadly based across different commodity groups and regions. Unlike previous months, though, there was a sharp fall in exports to the European Union, suggesting that the pound's sustained gains against the German mark and, more recently, the euro, has begun to hurt UK manufacturers in their biggest overseas market.

Excluding oil and erratic items, volumes to EU countries fell by 3.3 per cent in January, a sharp drop in exports to Germany accounting for much of the deterioration. Including imports, the balance fell from a deficit of £528m to £684m.

"Given that the lion's share of sterling's appreciation over the last two years has been against the euro-zone, the resilience of the UK's export performance to the EU has been surprising. The trend in volumes now appears to have weakened," said Richard Iley, economist at ABN Amro.

The Office for National Statistics said the figures pointed to a further widening of the overall deficit.

"The pound is still too high for the export sector," said Michael Saunders, economist at Salomon Smith Barney Citibank. "The exchange rate has weakened competitiveness and net trade is a big drag on GDP growth."

The latest figures would exert greater pressure on the Bank of England to cut interest rates from 5.5 per cent, he said.

As exports continued to fall, manufacturers would be forced to cut output and investment further, sucking inflationary pressures out of the economy.

But while the non-EU trade balance also fell in January, yesterday's figures showed an improvement last month, the deficit shrinking from £2.1bn to £1.7bn.

Artists line up to lobby for more funding

By Antony Thorncroft in London

The Shadow Arts Council, set up to lobby the Arts Council of England, was launched yesterday by Sir Peter Hall with the support of more than 100 artists, actors, writers and directors.

Sir Peter, doyen of theatre and opera directors, said the aim was to point out the gap "between the words and deeds of the government". The Arts Council dispenses state subsidies to the arts.

The former director of the National Theatre and Royal Shakespeare Company said more than half the regional theatres in England were on "standstill" grants and many faced closure. The Arts Council seemed more concerned with business efficiency than making a case for the arts, he added.

The shadow council – whose deputy chairman are Norman Rosenthal of the Royal Academy and John Tusa of the Barbican centre in London – would make its members available for comment on arts issues. Supporters include Sir Tom Stoppard, Harold Pinter and Sir Alan Ayckbourn, the playwrights, and Dame Judi Dench, the actress who has just won an Oscar for her brief role as Queen Elizabeth I in *Shakespeare in Love*.

The main aims of the body are to provide a voice for the arts, urge the government to double arts funding and introduce more artists into subsidy-giving bodies that, it believes, have recently fallen under the control of bureaucrats.

The shadow council has no money but commands influential voices.

Alan Howarth, the arts minister, was quick to rebut Sir Peter's charges. "We welcome a serious debate about the arts but there is a risk that it will degenerate into a litany of moans and complaints. The arts has just had the biggest uplift in grants for a generation and the Arts Council has been halved in size to reduce the money spent on bureaucracy."

● Antonio Pappano was confirmed yesterday as music director of the Royal Opera House, Covent Garden, to take over from Bernard Haitink for the 2002-03 season. Mr Pappano, 39, is British-born of Italian parents. He is currently music director of the Monnaie opera house in Brussels.

NEWS DIGEST

PRIVATISED INDUSTRIES

$44bn rail infrastructure spending to be unveiled

Railtrack, the privatised owner of most of the national rail infrastructure, will today unveil a £27bn ($44bn) spending programme for the next 10 years. This will be £10bn more than planned. Railtrack has responded to pressure from the government, rail regulator and train operating companies to boost its investments. But it still faces criticism for not doing enough to increase capacity.

Railtrack is expected to announce details of plans to upgrade the east coast main line between London and Edinburgh for an estimated £1bn, a £150m upgrade of the London-Gatwick Airport-Brighton line and improvements to regional airport connections. The Rail Freight Group said it wanted more information so it could judge whether there was a long-term plan to accommodate growing freight traffic.

At present rates of growth the number of freight trains will double over 10 years. **Charles Batchelor, London**

PARLIAMENTARY STANDARDS

Former prime minister rebuked

Sir Edward Heath, the Conservative former prime minister, was yesterday rebuked by the House of Commons committee on standards and privileges for failing to declare work as a paid consultant – despite advice from the parliamentary standards commissioner. Sir Edward was a paid adviser to the China Ocean Shipping Company and to China investment funds run by Dresdner Kleinwort Benson and Commercial General Union, the merchant banks. The committee dismissed Sir Edward's explanation, that his failure to register the work was a result of a misunderstanding. The rules say MPs should register any pecuniary interest that might reasonably be thought by others to influence their actions in parliament. Sir Edward expressed his regret to the committee. **Rosemary Bennett, London**

MEDICAL INSURANCE

Consultant warns employers

Employer-sponsored medical insurance schemes – and the health insurance industry – will be significantly hit by the government's spending plans announced this month, William Mercer, the international benefit consultants, warned yesterday. The cost to employers is likely to rise by 22 per cent this year, more than seven times the rate of inflation, said Steve Clements, a senior consultant with the company. "Many employers will be forced to review their current arrangements, which could result in lower benefits or a US-style sharing of costs with scheme members," he said. Under a personal plan, the typical £250 premium paid by an employer could double for a 35-year-old and triple for a 50-year-old with pre-existing conditions excluded. **Nicholas Timmins, London**

VEHICLE TAXES

Local authority looks overseas

Kent County Council, a municipal authority in south-east England, may become the first local authority to register vehicles abroad to escape high UK taxes and fuel duties. The council said rules requiring it to obtain the best value for taxpayers may also oblige it to save money by buying new vehicles outside the UK. Other authorities are interested in making savings on their fleets but will await the outcome of Kent's experience, the Local Government Association said. The council has struck up an informal alliance with local hauliers to share information on "flagging out" part of its fleet. The hauliers, who operate about 1,000 trucks, are also considering moving their vehicle registrations to other countries to escape the sharp rise in excise duty imposed in this month's national budget plans. **Charles Batchelor, London**

ARMED FORCES

Loyalty bonuses to be offered

Ministers are planning to pay loyalty bonuses to members of the armed forces in an attempt to make up the shortfall in numbers. The Kosovo crisis and the stationing of thousands of British troops in the Balkans has highlighted the problem. The British army is now heavily deployed in Bosnia, on peacekeeping duties, and in Macedonia, on the border with Kosovo. It is also stationed in Brunei, Cyprus, Germany, the Falklands and Northern Ireland. "There is a problem with retention in the armed forces," said a government official. "We are determined to address the issue." The army is suffering from a persistent shortfall in personnel: it currently has 109,000 servicemen. Its target is 114,000. Loyalty bonuses have been offered in the past, especially in times of low unemployment. **George Parker, London**

N Ireland body set to proceed

By John Murray Brown in Dublin

Mo Mowlam, the chief Northern Ireland minister in the UK government, yesterday indicated she planned to push ahead with formation of the region's new power-sharing administration on Good Friday, the first anniversary of the peace agreement, despite the continuing row over paramilitary arms.

But in a sign of the deepening crisis, Tony Blair, the prime minister, gave the broadest hint that he might have to become directly involved.

The Ulster Unionist party, the largest pro-British party in Northern Ireland, is refusing to sit in cabinet with Sinn Fein until the Irish Republican Army, its political wing, starts to disarm.

Speaking in Berlin at the summit of European Union leaders, Mr Blair said: "What we are trying to do, and will do with increasing urgency over the new few days, is to try and find a way of making sure that the whole of the agreement is implemented."

The government's apparent determination to push ahead with the formation of the executive comes amid signs of a new challenge to David Trimble, the Ulster Unionist leader and the region's first minister. A coalition of anti-agreement unionists yesterday said it was seeking support for a motion to exclude Sinn Féin from holding ministerial office in the new administration.

The challenge to the unionist leadership comes as details emerged of a police report into allegations of harassment by the Royal Ulster Constabulary, the Northern Ireland police force, against Rosemary Nelson, the nationalist lawyer killed in a car bomb attack last week.

Ronnie Flanagan, the RUC chief constable, yesterday rejected nationalist calls that the investigation into her death be handled by an outside police service.

Mo Mowlam: indicated she plans to push ahead

Low-income society faces economic reform

A new administration will give the region a chance to break out of its cycle of dependency. **John Murray Brown** reports

The head of the most powerful spending ministry in the new Northern Ireland administration is likely to be Reg Empey, a former lord mayor of Belfast and senior figure in the pro-British Ulster Unionist party.

Assuming the administration is set up as planned, it is thought probable that he will be minister for enterprise, trade and investment.

Key budget powers will be retained by the first and deputy first ministers, in the so-called economic policy unit. But Mr Empey looks set to head the department in charge of foreign investment promotion, the substantial tourism budget and the critical area of utility regulation.

The economy he would inherit is a mixed bag. The region has low per capita GDP, low family incomes, low wage levels and high levels of deprivation. It also has the highest birthrate of any European region and an expanding labour market.

Even though unemployment has fallen – and is now at 6.7 per cent, according to the International Labour Organisation – the differential with the UK as a whole is increasing. Moreover, the structure of the region's industry is skewed in favour of low technology industries with low levels of research and development.

David Trimble, the first minister and Ulster Unionist leader, has voiced doubts as to whether the £150m ($244m) currently used to support industry is money well spent.

A shake-up in inward investment policy seems likely. The strategy of targeting areas of most need – which had a clear political motivation given that the nationalist community suffers much higher unemployment rates – may be reconsidered by Mr Empey.

But as Tuesday's strategy document from the UK government pointed out – and most business people would concede – Northern Ireland needs to break out of its cycle of dependency. Government assistance, substantially higher than in other UK regions, is likely to fall. Ministers suggest any cut in public expenditure could be compensated for through fiscal assistance.

Some economists believe Northern Ireland has turned a corner. The region lost jobs in the 1970s and 1980s. Manufacturing output is now rising faster than the UK mainland, ahead of the increase of manufacturing employment, suggesting productivity is improving. The workforce tends to be more skilled, with 45 per cent of school leavers going on to third level education. This is against 33 per cent in the UK as a whole.

But the high birth rate, and a labour force set to grow until 2020, means the economy "will have to peddle a lot harder" just to provide the jobs.

Mr Empey's immediate concern will be to keep a lid on spending. Unionists are adamant that the decision to create 10 ministries should be "revenue neutral". Any new costs should be covered by re-allocating from existing programmes.

The quangos – state-appointed committees in sectors ranging from healthcare to investment promotion – could provide some savings. Colin Knox, of Ulster University, estimates 50 per cent of the total budget is administered through quangos, which all parties agree should be scrapped.

Competitiveness will also be a key concern.

The UK government's Northern Ireland Office has proposed lowering corporation tax to compete with the Irish Republic. But Graham Gudgin, economic adviser to the first minister, points out that tax breaks tend to help the research and development-intensive foreign-owned companies in pharmaceuticals and IT.

The strength of the Northern Ireland economy, he says, is among the small-firm sector that has traditionally outperformed its counterparts in the mainland and is not so tax-sensitive. "It would be nice to be able to think about how to arrange the deck chairs, but we're currently preoccupied with how to keep the Titanic afloat," he adds.

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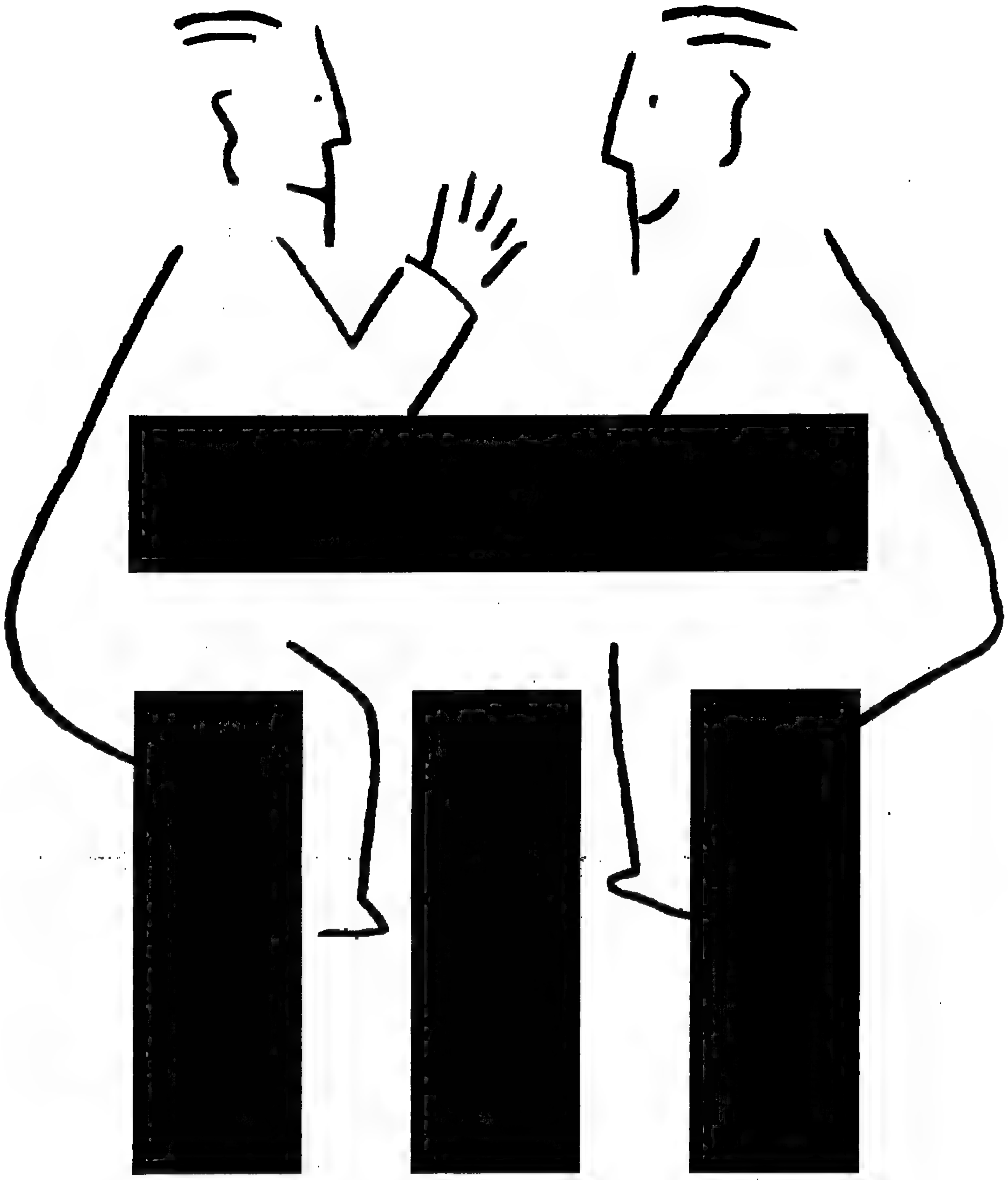

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Swiss Re

The delicate art of saying 'eureka'

Science is 'the oldest profession with built-in self-regulation', says Lord Sainsbury, UK science minister. In the first of a series on how scientists regulate themselves, **Clive Cookson** looks at the way research results are disseminated through the media to the public

Science under scrutiny

Ten years ago this week, in Salt Lake City, Martin Fleischmann of Britain's Southampton University and Stanley Pons of the University of Utah told the world's press that they had carried out controlled nuclear fusion in a glass jar.

Their promise of an unlimited new source of clean energy aroused enormous media interest, which faded gradually over the following year as other laboratories failed to replicate their results.

Although cold fusion retains a small band of believers, most scientists think it was all a sad mistake. Among historians and sociologists of science, the Fleischmann-Pons press conference and its aftermath are widely held up as a classic case of how not to release research results.

But there is nothing to stop scientists going directly to the mass media without first publishing their findings in a peer-reviewed journal, especially if they believe they have something so urgent to communicate that they cannot wait for the normal procedures to take their course.

And if the scientists in question come from a reputable institution and have a respectable research background, as Professors Fleischmann and Pons did, journalists will report loudly what they say.

More recent examples of the unorthodox approach to publicising scientific findings include the doctors at Kyunghee University Hospital in Seoul who announced at a press conference last December that they had produced an embryonic human clone, and Arpad Pusztai of the Rowett Institute in Aberdeen, who was forced to retire in August after claiming on television that rats had suffered ill-effects from eating genetically modified potatoes.

In both cases there was enormous media coverage, which moved quickly beyond the research itself to examine the underlying questions. For example, under what circumstances, if any, should human beings be cloned? What tests have been done to assess the safety of genetically modified foods?

Indeed the scientists responsible say one of their aims was to encourage such debate. But that does not impress the research establishment. As 19 fellows of the Royal Society, Britain's senior scientific academy, said in a statement about the Pusztai affair: "Those who start telling the media about alleged scientific results that have not first been thoroughly scrutinised and exposed to the scientific community serve only to mislead, with potentially very damaging consequences."

Most top researchers these days seek publicity beyond the scientific literature

The officially endorsed method of releasing research results is through a peer-reviewed journal. Each scientific paper is reviewed by expert referees and amended or edited if necessary.

Journals are keen for their papers to receive the maximum publicity as soon as they are published – to promote themselves and their authors. Competition for the hottest research reports is intense, and journals want scientists to know that they do their best to publicise them. Most top researchers these days seek publicity beyond the scientific literature because they know it can help raise funding.

The vehicle for maximising press coverage, while keeping unpublished research findings out of the media, is the "embargoed" news release. A few days before each publication date, the leading journals distribute by fax and internet a digest of what they regard as their most newsworthy articles to journalists who have agreed not to print or broadcast anything until the journal's official publication time.

To help journalists write stories as thoroughly and accurately as possible, the news digest enables them to order an advance copy of any paper and gives full contact details for the lead authors.

The whole process is facilitated by new internet services such as Eurekalert, provided by the American Association for the Advancement of Science, which channel embargoed information from several journals and research institutions to registered journalists.

Nature and Science, the leading general research journals, give a preview of their weekly contents to 1,200 journalists from newspapers and magazines, radio and television stations. Only a handful of journalists have been struck off the list of recipients for deliberately breaking an embargo.

It is remarkable how rarely news leaks out to the public before the embargo time, says Philip Campbell, editor of Nature. "I am gratified that the embargo holds as well as it does."

But if the story is big enough, it is likely to break before the embargo is officially lifted. This happened in August 1996 to the Science paper about evidence for fossilised Martian microbes in a meteorite and in February 1997 to the Nature report of Dolly the cloned sheep.

Reports by corporate researchers can cause particular problems if they are price-sensitive. Nature puts an explicit warning on its press release: "Anyone dealing in securities using information contained in this document or in advanced copies of Nature's content may be guilty of insider trading under the US Securities Exchange Act of 1934."

Yet there have been cases of suspicious rises in share prices, particularly of biotechnology companies, just before the publication of exciting research results. Last year, for example, the embargo on a Science paper by scientists at Geron, a Californian biotech company, was lifted when its share price soared two days before the scheduled publication date.

Science-based companies love to have their researchers' papers published in prestigious journals; it is excellent for morale and for the corporate image. But they often have to pass up the opportunity because they believe their duty to shareholders requires them to release price-sensitive results immediately, by a press release and statement to the stock market.

Daniel Vasella, president of Novartis, the Swiss life sciences group, is expecting to receive crucial clinical trial results on several drugs this year. "My dream would be to wait until they are published in a medical journal, but in practice I have to release them [to the market] as soon as they are available," he says.

Medical research results are sensitive for another reason – the rapid growth in patient power and knowledge. In the old deferential days, doctors had time to peruse their medical journals before anyone asked them about new treatments – and very few patients took that liberty.

Some of today's patients, surfing from one medical web site to the next, are becoming better informed than their doctors, says Richard Smith, editor of the British Medical Journal. "This can be deeply threatening to doctors at first, but they usually come to like it. In the old world, we listened to the experts, in the new world we pay more attention to the evidence."

Patients will have more access to fresh evidence if proposals to post biomedical research results directly on the internet come to fruition.

The US National Institutes of Health is actively examining the idea of running an electronic preprint or "e-print" service, similar to one that Los Alamos National Laboratory operates for physics and astronomy papers. How papers would be peer-reviewed on the internet remains to be decided.

Eventually, the standard model will be for scientists to release results on the internet as soon as they are ready – and any patent rights secured. But there will still be a role for journals such as Nature and Science to act as filters, giving a refereed seal of approval to the most important reports and packaging them in a form that will be accessible to scientists in other fields.

Yet some scientists are bound to lose patience with the system and call their own press conferences to communicate directly with the public. When that happens, remember cold fusion and react with caution.

The series continues next Thursday with a look at the peer review process.

TECHNOLOGY WORTH WATCHING

Figuring out how to speed up a chip's arithmetic

Computer engineers are always looking for ways to increase microprocessor speed, *writes Edwin Colyer*. The latest trick, developed by a European Union-funded research project, changes the way chips do sums.

A microprocessor chip based on the new method and to be manufactured by Philips of the Netherlands is to be ready by the end of next year. Commercial applications are likely to be in such devices such as mobile telephones, graphics systems and real-time controls for aircraft.

At present, chips do their arithmetic using a "floating point" system. All numbers are represented as a fraction multiplied by a power of two. While this notation facilitates the handling of extremely large or small numbers, it is slow and introduces errors because results have to be rounded.

The new method proposed by the project's co-ordinator, Nick Coleman of the University of Newcastle, uses a "fixed point" system, in which numbers are represented as logarithms. Logarithms convert complex multiplications into relatively simple additions that involve no rounding errors.

Logarithms have been avoided until now. While multiplication and division are simplified, addition and subtraction become a headache – you end up having to estimate the value of numbers. This introduces a high degree of inaccuracy into the calculations, and any fancy maths to reduce this error slows the process.

Dr Coleman says a new mathematical approach solves this problem. "We've invented a brand new technique for calculating the approximations involved in logarithmic additions and subtractions," he says. He will outline the mathematics at the International Computer Arithmetic conference in Adelaide, Australia, in April.

The principle is simple. While one piece of hardware works out the approximate value of the sum, another calculates the final error. Put the two results together and you arrive at a very accurate answer.

And because the two processes are run together, no time is wasted.

The researchers have tested their design on simulators. They can perform logarithmic additions and subtractions at a rate comparable to floating point processors. Multiplication is five to six times faster and division is 15 to 16 times faster. "A typical programme will include a mix of arithmetic operations," says Dr Coleman. "We get a two-fold speed up overall. And our log unit is more accurate."

IN BRIEF

New blood test could help stroke victims

A new blood test for strokes could give more victims a chance of receiving potentially life-saving drugs, *writes Zofia Chustecka*.

At present, stroke patients need to have a CT (computed tomography) scan to assess whether there is any bleeding in the brain, before treatment with clot-dissolving drugs such as TPA can be considered.

This delay can be damaging because, ideally, the drugs should be administered within three hours of the stroke taking place.

The new test, known as the Stroke Panel, gives results within minutes. It measures blood levels of four biochemical markers of brain tissue damage, and is both quicker and more accurate than CT scans, according to its Canadian inventor, George Jackowski.

Skye PharmaTech, the company based in Mississauga, Ontario, which he founded, is hoping to launch the test commercially in the US and Europe before the end of the year, having completed clinical testing.

Skye PharmaTech: Canada, e-mail skye@skyepharmatec.com

Stress and illness linked

For nearly a decade, there has been evidence of a link between psychological stress and certain illnesses. Now, scientists in the US have identified a possible biological explanation for the link.

Sheldon Cohen of Carnegie Mellon University in Pittsburgh and colleagues at the Children's Hospital of Pittsburgh believe that the culprit is interleukin-6, a chemical involved in the body's immune response.

They found that the concentration of this molecule in the mucus of flu sufferers varied both with the severity of their symptoms and the amount of stress they had been under.

The researchers say that changes in the interleukin could explain most of the effect of psychological stress on symptoms, but they acknowledge the possibility that the interleukin is not the causal link, but a marker for another active chemical.

Center for the Advancement of Health: US, tel 4122683580; http://www.cfah.org

Point of contact for the paralysed

The horrifying condition in which mentally alert patients become completely paralysed was made famous by Jean-Dominique Bauby's book *The Diving-Bell and the Butterfly*, which he dictated, letter by letter, by moving one of his eyelids. This "locked in" condition, which can be caused by a stroke or neurological disease, can sometimes leave patients completely unable to communicate.

Researchers at the University of Tübingen in Germany and elsewhere have designed a communications system for these patients using a device called an "electroencephalogram", which monitors an individual's brainwaves.

With practice, patients can learn to drive cursors on a video screen, allowing them to select letters of the alphabet, according to a letter published today in the journal Nature.

University of Tübingen: Germany, e-mail neils.birbaumer@uni-tuebingen.de

A polymer to help the pupil

A newly devised polymer promises to make contact lenses more comfortable, tolerable for longer periods and less likely to cause eye infections.

The material, called a sulfoxide hydrogel polymer, increases the water level in the eye while minimising the build-up of undesirable proteins. In conventional lenses, attempts to increase the water level – an important factor in supplying oxygen to the eye – tend to lead to more protein being deposited on the surface, which could cause infections.

The sulfoxide hydrogel lenses, which were devised by researchers at Rohm and Haas Texas, a Houston-based company, and the University of California, Berkeley, are undergoing clinical trials.

American Chemical Society: US, tel 2028724445; e-mail y_marsh@acs.org

Vanessa Houlder

THE ARTS

Who needs awards? "Best fascist dictator, Adolf Hitler" Woody Allen quipped in *Annie Hall*. *Gods And Monsters* is no worse for emerging from Sunday's junket Oscarless save for writer-director Bill Condon's Best Adapted Screenplay award. No Best Actor statuette for Ian McKellen, though he is in eloquent form and imperiously disguised in nut-brown makeup and silver hair as the Hollywoodised British filmmaker James Whale, the man who made *Frankenstein*. And no Best Supporting Actress doorstopper for Lynn Redgrave as his German housekeeper, hewing away at her dialogue with an accent that you could sell as a dangerous weapon.

These two troupers boldly troup in a film saved from the odour of biopic sanctity by its campy charm and deft, allusive wit. As well as a great two-film director – the monster picture and its even finer sequel *The Bride Of Frankenstein* – Whale became the Tinseltown Raj's best-known tragic homosexual. Found dead in his pool in the 1950s, as if in gay homage to William Holden in *Sunset Boulevard*, he left a brief suicide note and a long life story. That in turn inspired James Curtis's biography subtitled (after a line spoken by Ernest Thesiger's mad scientist in *The Bride*) "A New World of Gods and Monsters."

Condon's conceit is to make Whale the monster and the fictionalised gardener with whom he becomes enamoured, Clayton Boone (played by *George Of The Jungle*'s Brendan Fraser), the god or apprentice demi-god. Their friendship is built on the older man's unrequited lust and the younger man's amply-requited curiosity about a living legend. Did this august Limey with the tweed suits and walnut syrup voice *really* make that tale of lightning, madness and bandaged ghouls? Yes, and if Clayton has a month or three and is willing to pose nude for a painting (there is no such thing as a free life story), he and we will hear about it from the master.

Though mainly a duet, the film is fissured by flashbacks and aerated by outings. Memories of world war trenches and a West Midlands childhood attack Whale after he has had a stroke. Scarcely less vivid and indelible, at least for us, is the garden party he attends with Clayton where we meet an improbably, divertingly la-dee-da Princess Margaret as well as spitting images of Boris Karloff, Elsa "Bride of Frankenstein" Lanchester and party host George Cukor.

The film is like a thinking person's theme park ride. "James Whaleland": pay your two dollars and ride up, down and all around an eccentric movie-maker's mind.

Limey in Hollywood: Ian McKellen in eloquent form, imperiously disguised in nut-brown make-up and silver hair in Bill Condon's 'Gods and Monsters'

CINEMA

Frankenstein on charm offensive

The film of monster-movie director James Whale's life is like a thinking person's theme park ride, writes **Nigel Andrews**

Housekeeper Redgrave knows that inside Whale's official genius structure dwells an infatuated, queenly old cove trying to express and fulfil himself. "Oh men! All-vays pullink legs!," she says of his whimsical, sometimes off-colour jokes. And Condon knew that inside this potentially reverential life story there was a fiction-worthy tale of passion, humour, sadness and humanity trying to get out – and here largely succeeding.

An Autumn Tale is even better. "Ars longa, vita brevis" goes the saw, and 30 years after *My Night With Maud* and *Claire's Knee* Eric Rohmer is still rebuking life's brevity with wry tales that resonate into eternity. Will he never run out? Here wine-growing single mother Béatrice Romand and widowed city friend Marie Rivière plot romance, with M.R. steering handpicked beaux at B.R. until a final vineyard party when the Judgment of Béatrice is exercised over two nervously eligible, 30-to-40-something males.

In the great French artistic-intellectual tradition, Rohmer splits hairs and then goes on to atomise nuances. The film is funny because the characters never stop examining themselves: their feelings, motives, morals. Paradox is the language of this micro-philosophising. "I want all men to love me, especially those I don't love," declaims Rivière. And we almost know that Romand will choose the less likely suitor, because for this filmmaker chance and contrariness have a deeper wisdom than human calculation.

In the same way, every Rohmer mise-en-scène deceives with its simplicity. Scenes and settings that start by seeming nothing end by seeming everything. The vineyard/city contrast incubates witty moodswings between lazy-bucolic and busybody-urban. (The city-dweller matchmakes, the country dweller sits back and lets it happen). And in Rohmer not even a sunset – from *The Green Ray*'s maker least of *all* a sunset – is allowed to slip by without making a dramatic point. Caught *en flagrant melancolie* as she sits alone on a garden wall at the party, Romand lies to Rivière "I was looking at the sunset." "But the sun is behind you," Rivière points out. In Rohmer that is what friends are for: stopping you turning the world around to suit your sophistries and self-deceptions.

GOD AND MONSTERS
Bill Condon

AN AUTUMN TALE
Eric Rohmer

AMERICAN HISTORY X
Tony Kaye

PAYBACK
Brian Helgeland

THE RUGRATS MOVIE
Norton Virgien, Igor Kovalyov

★

From Hollywood business as usual: guns, explosions and the end of civilised behaviour as we know it. *American History X* and *Payback* are the sententious and catchpenny sides, respectively, of screen violence. The first is as money-grubbing as the second in actuality but pretends it isn't. It moralises about racism. Edward Norton was Oscar-nominated for his Hyde-turned-Jekyll performance as the shaven-headed, swastika-tattooed neo-Nazi who kills two blacks and goes to jail, emerging a mere reel later as Goody Two Shoes. Can he similarly *transform* the hellraising younger brother (Edward Furlong) whom he himself corrupted with hate?

I did not believe an iota of this conversion. A man goes to prison, gets gang-raped by white men and befriended by a black laundry worker and then comes out preaching love and peace? Phooey. Suppose he had been raped by blacks and befriended by a white? Would that validate his homicidal racism?

Norton re-edited the film after artistic differences with British director and commercials whizperson Tony Kaye. I would love to see Kaye's original cut. It is surely superior to this pious ego trip for an actor who can and should do better.

Payback has the courage of its amorality. Mel Gibson goes about Chicago (unnamed) seeking whom he may torch, maim and shoot. It is not a pretty film, but at least it is gripping. Based on the novel that inspired John Boorman's *Point Blank*, Richard Stark's *The Hunter*, the film is shot in an ugly bluish near-monochrome. Perhaps director Brian Helgeland, who in another incarnation co-scripted *LA Confidential*, thought it was "noirish".

The revenge plot is formulaic but Gibson gives it everything. Since playing *Hamlet* he has started treating even inauspicious scripts with wit, passion and articulacy. This is good thinking: the movie actor's version of a Pascalian wager – what can you lose? James Coburn and Kris Kristofferson pop up as guest villains, adding to the sense of a project cunningly upholstering its worthlessness in fine fabric.

Nothing could save *The Rugrats Movie*, at least for me. In this TV-based animated feature the minutes, 90, pass like days. A group of tiny tots escape from home in inventor Dad's runaway turbo-toy car, losing themselves in a forest. There are many jokes about poo-poo and pee-pee. "For anyone who remembers being in a nappy" says the publicity. Anyone with that long a memory surely has better experiences to look back on.

MUSIC IN NEW YORK

Italian Baroque revisited

In the early years of the 18th century, when the young Georg Friderich Handel was paying an extended visit to Rome, one of his patrons – the all-powerful Cardinal Ottoboni – arranged a musical duel in his sumptuous Palazzo della Cancelleria, pitting the gifted German youth against the equally young and gifted Italian, Domenico Scarlatti. According to contemporary reports the outcome of the contest was a draw: Scarlatti excelled on the harpsichord; Handel, on the organ. In any case, the concert was evidently a success.

As part of its 42nd season, the Clarion Music Society in New York and its music director Frederick Hammond decided to recreate something of the atmosphere of the Cardinal's singular musical party. Some vocal music by Alessandro Scarlatti, a group of sonatas by Domenico, and the cantata "Armida abbandonata" by Handel, as well as his great Concerto for organ and strings made up the concert. Hammond himself played the organ Concerto, while his guest Gerald Ranck played the harpsichord sonatas.

Again, at a distance of almost four centuries, the result might be considered a draw, as both composers emerged from the confrontation with colours flying. While the soprano Julianne Baird was certainly affecting in the vocal music of Alessandro Scarlatti, it was as Handel's Armida that she was able to give the full measure of her nuanced dramatic soprano. Some Corelli trio sonatas and a pair of sonatas for two keyboards by Bernardo Pasquini filled out this sensitively executed programme, which afforded a happy, tantalising glimpse of the musical world of baroque Rome.

The concert complemented the inauguration of a small but splendidly rich exhibition, *Ambiente Barocco*, at the Bard Graduate Center for Studies in the Democratic Arts. Curated by Stefanie Walker and Frederick Hammond, the show assembles a series of sumptuous hints at the magnificence of papal Rome in its heyday.

The great Roman families – like the Ottoboni, the Barberini, the Ruspoli – were all music lovers and music patrons (several cardinals also wrote opera librettos for their own amusement), and the New York show has procured some rare examples of baroque instrument-making, including the incomparable Barberini harp, here seen for the first time outside of Rome; the erudite references in its elaborate carving confirm that, beyond its musical use, the harp was also intended as a symbol, an emblem of the Barberini family's eminence and power.

The Rome of the great popes – and the great musicians – was a city of pomp and pleasure. Stefanie Walker has assembled much rare documentary testimony to the grandeur of the processions of carriages, the glitter of great banquets. The magnificence remains today, and these small, but intensely meaningful pieces add to today's understanding of the great palazzi and the more imposing monuments.

William Weaver

A slow, sure seduction by evil

THEATRE

SARAH HEMMING

Good
Donmar Warehouse, London WC2

Only two weeks after *Speer* opened at the Almeida Theatre comes this fine revival of C.P. Taylor's *Good*, which also digs into the Nazi past. Although it is a dark comedy, Taylor's is by far the more chilling play. His protagonist is a pleasant, liberal academic, who is sucked by degrees into the system. As played by Charles Dance, in an excellent and beautifully modulated performance, he could just as easily be sitting in the audience – and that is Taylor's point.

At the outset of the play, Halder is a professor of German literature and a humane novelist, rubbing along in his academic post and his marriage. He patiently endures his shambolic household, frets about his aged, blind mother and chews over his potency problems with his Jewish doctor friend. By the end, he is taking up a position at Auschwitz. There are no hysterics: in fact his progress is so smooth that he does not perceive it as the ground shifts beneath his feet and his morals are moulded to suit the Third Reich.

One problem with any Holocaust play is that, with the benefit of hindsight, we know where it will end. Taylor astutely undercuts this by juggling with the form of his play, which hops back and forth so that we are disorientated. And Taylor analyses with alarming precision how any person in any society might gradually come to an accommodation with evil. So, when Halder learns that the leader admired his novel about euthanasia, he feels a glow of pride, despite himself – and who wouldn't?

Taylor is fascinated by good and evil. Halder teaches *Faust* to his students, but, for all his learning about the devil and his disguises, is unable to recognise him when he comes to his own door. Here evil comes dressed as flattery, or as a matey SS officer who confesses his own reservations about the party and then hands on orders. Halder complies, not because he is wicked, but because he wants a quiet life. And who doesn't? So we watch, queasily, as he joins the party to secure his career, reassures himself that the attacks on Jews are merely "a temporary racial aberration", won't let himself hear the fears of his Jewish friend (a wonderful performance of impotent rage and terror from Ian Gelder), assists in burning books "as a gesture", and complies with writing papers that put a humane spin on euthanasia for the disabled.

There are some stodgy passages, but once it gets going in Michael Grandage's fluid production the play exerts a tremendous and appalling grip. The staging surfs expertly its mix of debate, surrealism and macabre comedy, which, together with Hartley T.A. Kemp's striking lighting, sucks you into Halder's solipsistic world. Meanwhile, Dance conveys superbly the character's suave rationality and effortless drift into self interest. There is a lovely performance, too, from Emilia Fox as his adoring second wife, admiring him in his uniform and assuring him that they are "good people". And so they are, by and large. That is what is so deeply disturbing about Taylor's play.

Perfect casting: Charles Dance and Emilia Fox Alastair Muir

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
The Floating World: Japanese scroll paintings from the Kumamoto Museum of Art. The paintings portray courtesans, actors, and various pastimes in Japan between 1600 and 1868; to Jun 13

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 25, 28

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Cinderella: staged by Roberto de Oliveira. Kevin McCutcheon conducts Prokofiev's score; Mar 26

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Aida: by Verdi. Conducted by Lawrence Foster in a staging by Götz Friedrich; Mar 27
● Eugene Onegin: by Tchaikovsky. Conducted by Jiří Kout in a staging by Go<umalut>tz Friedrich; Mar 28
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Lohengrin: by Wagner. Conducted by Daniel Barenboim in a staging by Harry Kupfer; Mar 30

DRESDEN

OPERA
Semper Oper
Tel: 49-351-48420
Ariadne auf Naxos: by R. Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Mar 25, 27

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Mozart and Strauss, with piano soloist Imogen Cooper; Mar 25
● City of Birmingham Symphony Orchestra: conducted by Simon Rattle in works by Kurtág, Gubaydulina and Birtwistle, with violin soloist Vadim Repin; Mar 26
● London Philharmonic Orchestra: conducted by Kurt Masur in works by Strauss and Bruckner, with soprano Felicity Lott; Mar 27

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
Africa by Africa: A Photographic View. Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mama Casset, Seydou Keita and Samuel Fosso; to Mar 28
Victoria and Albert Museum
Tel: 44-171-938 8500
The Arts of the Sikh Kingdoms: first international exhibition of its kind which tells the story of the cultural heritage of the Sikhs. Coincides with the 300th anniversary of Guru Gobind Singh's creation of the sacred brotherhood of the Khalsa; from Mar 25 to Jul 25

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Mar 26, 30

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art
Tel: 1-213-857 6000
www.lacma.org
Ancient West Mexico, Art of the Unknown Region: comprehensive overview of West Mexican art between 200 BC and 800. to Mar 29

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss; Mar 25, 26
● Munich Philharmonic Orchestra: conducted by James Levine in works by Berg and Mahler, with violin soloist Christian Tetzlaff; Mar 27, 29, 30

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Charles Dutoit in works by Poulenc, Saint-Saëns and Holst, with cello soloist Han-Na Chang; Mar 25, 26, 27
Carnegie Hall
Tel: 1-212-247 7800
www.carnegiehall.org
National Symphony Orchestra: conducted by Leonard Slatkin in the world premiere of John Corigliano's A Dylan Thomas Trilogy. With the Choral Arts Society of Washington and baritone Hakan Hagegard; Mar 26

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Dosso Dossi, Court Painter in Renaissance Ferrara: Dosso Dossi was the last of the Ferrarese painters, much influenced by Giorgione and Titian. to Mar 28

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. Mar 26, 29
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Don Giovanni: Christopher Larkin debuts as conductor with sets and costumes by Rolf Langenfass. Victor Benedetti leads the cast in the title role; Mar 30

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
● Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Mar 30
● The Magic Flute: by Mozart. Conducted by Friedemann Layer in a staging by Robert Wilson; Mar 25

SAN FRANCISCO

CONCERT
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony and Chorus: conducted by Roberto Abbado in works by Bloch and Rossini; Mar 25, 27, 28

THE HAGUE

EXHIBITION
Gemeentemuseum
Tel: 31-70-3388 1111
Vionnet: designs and prints by Madeleine Vionnet, one of the most important couturiers of the 20th century, whose moulage cutting technique strongly influenced the fashions of the period 1920-1940. to Jun 6

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Tokyo Symphony: conducted by Kazuyoshi Akiyama in works by Haydn and Mahler; Mar 26
● Yomiuri Nippon Symphony Orchestra: conducted by Tadaaki Otaka in works by Sibelius; Mar 25

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51444
● Cavalleria Rusticana: by Mascagni/Pagliacci by Leoncavallo. Simone Young conducts a staging by Jean-Pierre Ponnelle; Mar 26
● Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci and Eliane Coelho; Mar 28, 30

WASHINGTON

EXHIBITION
Phillips Collection
Tel: 1-202-387 2151
An American Century of Photography: From Dryplate to Digital. Works from the Hallmark Collection, by photographers including Alfred Stieglitz and Sally Mann; to Mar 28

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

QUENTIN PEEL

Lessons of Kosovo

The bombing of Serbia could and should have shown Europe's capacity to manage crises in its own backyard. Instead, it has become another enterprise for the US as global policeman

Seldom can a decision to launch massive military action have been taken with such obvious reluctance.

After Javier Solana, the Nato secretary-general, gave the green light on Tuesday night for allied bombs and missiles to rain down on Yugoslavia, everyone rushed to say sorry in advance.

Not only that, it is perfectly obvious that military analysts and commentators on both sides of the Atlantic are profoundly dubious about what good the operation may do. Few believe that the blunt instrument of air strikes can do much to halt the humanitarian catastrophe taking place in Kosovo. More than that, most would admit that the action offends against a fundamental principle of warfare, ancient or modern: it has not been undertaken with any clear idea of what it will lead to, nor any exit strategy.

Either bombing raids persuade the Yugoslav president, Slobodan Milosevic, to sue for peace, or the allies will be left with nothing to fall back on. For no one is prepared to countenance the logical step if the bombing campaign leaves Serbia unmoved: a bloody invasion, the imposition of peace by troops on the ground, and an indefinite occupation of Kosovo, probably with heavy casualties. As Mr Milosevic knows, it is a prospect no western democratic leader is prepared to sell to his or her electors.

Joschka Fischer, the erstwhile pacifist who is now German foreign minister, captured the spirit of reluctance. "We have done everything conceivable to avoid this confrontation," he said.

They undoubtedly have. Yet the whole operation has a terrible whiff of gunboat diplomacy, 21st-century style. Like the US and UK bombing raids on Iraq, whose benefits still appear questionable, it is an action dictated by the luxury of cruise missiles, against which few modern states can retaliate or defend themselves. Not least, *it has* been designed to ensure that casualties are minimised, that no US boys have to be brought home in body bags.

The operation in Kosovo, in which the European allies in Nato were supposed to play a leading role, has in reality been dictated by US concerns and perceptions. What could and should have been a demonstration of Europe's capacity to manage crises in its own backyard has become another enterprise of the US as global policeman, using European men and machines where possible.

Months ago, when the crisis in Kosovo began, there was a belief in several European capitals that the European allies should use it to show Washington what they could deliver with their grandly named European Security and Defence Identity, or ESDI.

Those fond hopes were rapidly abandoned for three very *precise reasons.*

In the first place, the military argued in Britain and France that they simply did not have the kit. Neither reconnaissance capacity, nor heavy-lifting aircraft capable of transporting thousands of peacekeeping troops to the region, were available without US involvement. *If* it came to air strikes, the US would have to take the lead.

The second reason was *more shaming.* European diplomats argued that neither Mr Milosevic, nor the *Kosovar* guerrillas, would pay attention to their attempts at peace-making.

Ready for action: a German Tornado prepares for take-off Reuters

They would only believe the allies were serious if the US was visibly involved.

Finally, they never wanted a repeat of the early attempts at peace-making in neighbouring Bosnia. For the European attempt on that occasion to go it alone was undermined by US support for the Bosnian Moslem government. British and French troops attempting to keep the peace found themselves under fire from weapons which had been supplied from across the Atlantic. Understandably, they said: "Never again."

The trouble is, those arguments suggest that all the fine words about ESDI are so much hot air. The basic issue is: will it ever become realistic for the European Union members of Nato, so keen to give themselves a clear defence *identity, to contemplate* a serious military operation without US involvement?

George Robertson, the UK defence secretary, has called for changes in Nato's command structure to increase Europe's ability to launch military missions without the participation of the US. Of course, as a good Nato member, he insists that any decisions to deploy forces would still be taken by the individual governments inside Nato, and not by any supranational body, like the EU. But the idea would be to allow the Europeans independent access to Nato's assets – which means things like US reconnaissance equipment. That might answer the first objection to Europe trying to sort out Kosovo alone, but not the second or third.

As for the US, it suffers from its usual ambivalence towards European efforts at creating an independent defence and foreign policy identity. US policy-makers such as Richard Holbrooke and pundits such as Henry Kissinger may complain bitterly about the absence of a "single telephone number" to ring to discuss EU policies. But when faced with the prospect of such a number, they seem to prefer ringing round all the most important EU capitals.

Strobe Talbott, the US deputy secretary of state, certainly suggested a division of view when he addressed the Royal United Services Institute two weeks ago. While he expressed strong support for the concept of ESDI, he warned his European audience that it could all too easily be misconstrued on the other side of the Atlantic. It could create the impression, he warned, that Europe was trying to build a Europeans-only alliance out of Nato. And some US politicians were all too ready to believe it, as an excuse to pack up and pull out.

Against that must be put a surprisingly positive public attitude in the US towards multilateralism, as opposed to unilateralism. According to the Chicago Council on Foreign Relations, in its latest study of American public attitudes to foreign policy*, the majority (72 per cent) think that in *responding* to crises the US should not take action alone if it does not have the support of its allies.

The same question put to a "leadership" sample showed a much smaller majority: 48 per cent against unilateral action, and 44 per cent in favour.

What is also clear, however, is the profound disinclination for sending US troops abroad. On no single possible source of conflict – such as if Iraq invaded Saudi Arabia, or if Arab forces invaded Israel, China invaded Taiwan, or North Korea invaded the South – was there a majority for sending in US troops. The US is a very reluctant global policeman, unless it can do it with cruise missiles.

The consequences for Europe are grim. The *Europeans cannot seriously* contemplate independent security action in the foreseeable future without US support. But nor can they rely on the US risking casualties in trying to resolve a conflict. So the most likely outcome is for the Europeans to provide the troops, while the US still determines when and where to use them.

The body bags will be European. Is that what ESDI is all about?

* *American Public Opinion and US Foreign Policy. Editor, John E. Rielly*

LETTERS TO THE EDITOR

Strength will be tested to destruction

From Dr Raphael Papadopoulos.

Sir, Your leading article "Nato's test in Kosovo" (March 23) raises a number of fundamental points, on some of which the position taken by Nato ranges from the ambiguous to the *self-serving* and controversial. Let me select some of them.

First: Nato military action against Yugoslavia is not only its first attack against a sovereign state: it is also a clear violation of the Nato Charter.

Second: who decides that the UN Security Council's resolutions on Kosovo have been breached by the Yugoslavs? Is it down to Nato to decide that, and if so, on what authority?

Third: who decides that separatist insurrection in Yugoslavia is so different from similar situations elsewhere as to justify Nato military action?

Fourth: in view of the undisputed selectivity in choosing the targets for military action – sometimes without explicit authority *from the United Nations* – is it not premature and dangerous to assume that such precedents constitute "developments in modern law" which secure – for Nato – the right to decide if and when military action is justified in order to prevent humanitarian catastrophes?

Fifth: the apparent consensus, to which you refer, is based on an understandable desire and expectation that the international community must do something to alleviate the plight of the Kosovars rather than on an agreed policy on means and objectives. From this it follows that the strength of the consensus will be tested to destruction when and if it becomes necessary to escalate the action beyond the initial air strikes.

Under such circumstances the reluctance of some Nato members to sanction any escalation, combined with the opposition of some members of the UN Security Council to military action in the first place, is likely to bring the whole operation to an abrupt end.

Has anyone – within or outside Nato – any good thoughts as to the direction in which "modern law" is to develop beyond that point?

Raphael Papadopoulos,
52 Asmuns Place,
London NW11 7XG, UK

UK contributes three times more than France

From Ms Patricia Hewitt, MP.

Sir, The table you printed with Quentin Peel's article "'British cheque' arouses ire" (March 23) showed the UK as a smaller net contributor to the EC budget than France. This is quite misleading.

Your figures are based on the European Commission's technical definition of "UK rebate budgetary balances". These figures have little to do with the real world. They *have been produced on a* notional basis that artificially cuts the UK contribution by redistributing Customs duty revenue around the EU. The figures are prepared for the technical purpose of calculating the abatement, rather than representing a sensible picture of member states' net balances.

The measure of net balances that matters is the difference between the amount of money a country actually pays and the amount it actually receives. On this basis the UK contributes far more than the Commission figures you use – and more than three times what France contributes.

The 1997 figure is further distorted owing to the large annual variances in contributions. The Commission recognises this fact in its Own Resources report of October 1998 (page 34): "1997 is unrepresentative for the UK because of the exceptionally high variability of the rebate in this year." A 1995-97 average is therefore more representative.

To set the record straight I submit a revised table using European Commission figures for accounting budgetary balances (see above right). This table is a more accurate representation of the UK's position as the second largest net contributor to the EC budget.

Patricia Hewitt,
economic secretary to the Treasury,
Treasury Chambers,
Parliament Street,
London SW1P 3AG, UK

Net contributions to EC budget

1995-97	(Ecu m)
Belgium	1494.5
Denmark	220.5
Germany	-11,556.7
Greece	3993.8
Spain	6434.5
France	-819.8
Ireland	2302.2
Italy	-528.8
Luxembourg	735.8
Netherlands	-2176.4
Austria	-599.2
Portugal	2670.9
Finland	3.4
Sweden	-994.8
UK	-2848.9

Source: EC figures for accounting budgetary balances

Number One Southwark Bridge, London SE1 9HL

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Twice damned

John Mason says that the second judgment against Pinochet in Britain's House of Lords is more rigorously argued than the first and thus harder to ignore

There is no date for his trial. The warrant for his extradition is still being argued over. But for many human rights campaigners, General Augusto Pinochet has already had his day of judgment.

For the second time, the House of Lords, Britain's highest court, ruled that the former Chilean dictator and Senator for Life could be extradited to Spain, where he is wanted on charges of torture and other human rights crimes.

Six law lords, endorsing an earlier ruling last November, said Gen Pinochet did not enjoy immunity from prosecution as a former head of state.

Outside the Houses of Parliament, Chilean exiles and human rights campaigners were exultant. During an all-night vigil, they had planted 3,000 small wooden crosses for every person who had "disappeared" during Gen Pinochet's 17-year rule.

Ariel Dorfman, the Chilean playwright and a long-time Pinochet foe, said: "It is a great victory for humanity. It is a great victory for our dead who have haunted Pinochet and who will not let him go. The House of Lords have decided that torturers can no longer take tea with Mrs Thatcher."

It was a custom of Gen Pinochet to pay a visit to the former prime minister whenever he came to London.

Until the ruling by the House of Lords, former dictators like Gen Pinochet were not encumbered by their past, *either at home or* abroad.

Human rights groups therefore heralded the judgment as a milestone in international law, which finally gave substance to conventions against torture and other crimes against humanity.

Amnesty International said the judgment created a valuable precedent for the *future. "The message is loud* and clear. Head of state immunity does not grant the freedom to commit crimes against humanity and acts of torture," the human rights group said.

The law lords called to hear the Pinochet case had two main issues to decide.

General Pinochet: the waiting is finally over AP

First, did General Pinochet enjoy immunity from prosecution as a former head of state? Second, did the alleged crimes of torture and hostage-taking fit the legal definitions of "extraditable crimes" which would allow extradition to take place?

On the first issue, the law lords ruled by a six-to-one majority that Gen Pinochet was not entitled to immunity from prosecution.

There were disagreements about precisely when Gen Pinochet had lost his immunity. Some argued it was when the International Convention against Torture was ratified in 1988 by the UK, Spain and Chile. Two law lords thought heads of state had never enjoyed immunity against these crimes.

But Lord Brown-Wilkin*son, summarising the judg*ment, said: "Torture is an international crime over which international law and the parties to the Torture Convention have given universal jurisdiction to all courts wherever the torture occurs. A former head of state cannot show that to commit an international crime is to perform a function which international law protected..."

On the second issue, a majority of six to one ruled that only crimes that occurred after September 1988, when the torture convention was ratified, fitted this definition.

The effect, as they explained, was drastically to reduce the number of offences for which Gen Pinochet can be extradited.

'*It is a great victory for our dead who have haunted Pinochet. The House of Lords has decided that torturers can no longer take tea with Mrs Thatcher*'

These charges cover cases of torture and conspiracy to torture between 1988 and 1990, when the dictator was preparing Chile's transition to democracy and human rights abuses were less frequent that in the years after the 1973 coup.

The fate of General Pino*chet himself is now* uncertain. The drastic cut in the number of charges he faces means he may well escape prosecution. But Baltazar Garzón, the Spanish magistrate who is seeking the general's extradition, said yesterday he would continue with his case.

So what happens next? The decision on whether to approve, or deny, Gen Pinochet's extradition to Spain rests with Jack Straw, home secretary. In December, he granted Spain's extradition request, and government officials said Mr Straw was likely to maintain his position.

But Gen Pinochet's lawyers are likely to challenge any such ruling and there could be a lengthly arguments in the courts. Whatever happens, the 83-year-old general is likely to be forced to stay in Britain for many more months.

Some international lawyers disagreed with the judgment. Jeremy Carver, a partner with the law firm Clifford Chance, described the judgment as a "pig's breakfast". Mr Carver believes the judgment could create international havoc and hinder the creation of the one body which could effectively try human rights abuses: the proposed International Criminal Court. The judgment, he warned, will "feed all the prejudices" of senior US politicians opposed to the court. Without US support, the court will lack credibility.

The ruling was the second time the law lords pronounced on the Pinochet case. The first ruling was set aside because it was decided that Lord Hoffmann, one of the five original law lords, should have been disqualified because he was a director of a charity run by Amnesty International, itself a party to the case.

Many lawyers argued the complex issue benefited from the enforced second opinion. Many considered the first ruling was too broadbrush and lacked detailed reasoning.

Yesterday's ruling, however, was more fully argued and was widely seen as more rigorous. It was therefore expected to create legal precedents of greater authority, most lawyers argued.

As for Gen Pinochet, he may well get off in the end. Prosecutions need evidence to be produced, and without the co-operation of the Chilean government, which has been lobbying noisily for his safe return, any prosecution may fail.

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Prodi in the hot seat

Yesterday's unanimous nomination of Romano Prodi for the post of president of the European Commission was a speedy and welcome move. It is a great shame that the same urgency is not being applied to the appointment of a full new Commission.

Mr Prodi was probably the best candidate for the post, given the difficulty in finding someone at such short notice. But the task ahead of him is huge. The damning report by the "wise persons" revealed not just a few instances of corruption and fraud, but a whole culture of mismanagement and a widespread failure to take responsibility. These problems have to be tackled not just at the top level, but throughout the whole Commission. At the same time, though, Mr Prodi has to give the Commission a positive new sense of identity, and restore morale to an institution which has been so roundly criticised.

Mr Prodi's strong reputation for honesty, together with his affable and down-to-earth personality, mean that he has a chance of achieving these objectives.

He should also be greatly helped by the new powers granted to him under the Amsterdam Treaty, soon to be ratified. Mr Prodi will have discretion over the appointment of new Commissioners. He will have more latitude in dividing portfolios between the Commissioners, and in removing work from badly-performing individuals.

If used to the full, these powers will make the Commission much more independent from the horse-trading of jobs by member governments, which exemplified the culture of cronyism in the institution.

Alongside the clean-up, there must be an effort by member governments to define more clearly just what the role of the Commission should be. An unwieldy workload was one of the factors contributing to the problems of mismanagement.

The priority now is to select a full new Commission; yet there seems little chance of this happening quickly. The European Council said yesterday that candidates will be discussed with Mr Prodi over the coming months, and that a new Commission will be ratified following June's elections to the European Parliament. This means that the current, discredited Commission will continue on a caretaker basis until July at the earliest.

This delay – which appears to be politically motivated – threatens great harm to the symbolic cleansing of the Commission, and risks a damaging sense of drift. A new Commission should be selected quickly, with Mr Prodi taking a leading role in the process. Whatever the constitutional difficulties, it should be possible to ratify the posts by May, before Parliament is dissolved. Only when the representatives of past failings are out of office can the overhaul of the Commission really begin.

No hiding place

Augusto Pinochet, the former dictator of Chile, may escape punishment for his crimes, but other torturers throughout the world must be careful not to visit shops or clinics in London.

Yesterday's judgment by Britain's Law Lords established that torture is a special crime that can be pursued beyond international boundaries – unconstrained by sovereign or diplomatic immunity.

The ruling that there is no civilised refuge for torturers applies strictly to British law only. But because it is largely based on the 1984 Torture Convention, agreed by more than 110 states including Chile, it is likely to have a wide international significance.

Fortunately for Mr Pinochet, the UK did not ratify this convention until 1988, 15 years after he seized power and instituted a reign of terror. The Lords ruled that the Spanish application to extradite him to face charges cannot be allowed in respect of crimes committed before that date. This requires Jack Straw, the home secretary, to reconsider Spain's extradition request on the basis of a much narrower spread of charges. These are the allegations of torture in the last years of Mr Pinochet's rule, from 1988 to 1990. Mr Straw will give his new judgment shortly.

As Lord Browne-Wilkinson, the senior Law Lord, said in his opinion, there is little doubt that "appalling acts of barbarism" were committed by the Pinochet regime. But (as he hinted) the precise charges against him after 1988 might not be enough to warrant extradition.

The important point of principle, however, is that state torture is now an extraditable offence in the UK whatever the rank of the perpetrator, as it may become in other countries. Because the 1984 convention applies specifically to torture, state-sponsored murder can still hide behind the cloak of diplomatic immunity.

This is clearly anomalous. But more broadly, the principle of diplomatic immunity must be breached only in extreme cases. Otherwise most heads of state and their representatives would be forced to stay at home.

It is unfortunate that the Law Lords needed two attempts to reach this conclusion, after a divided first judgment set aside because one member failed to declare an interest.

This unsatisfactory process emphasises the need for reform in the way the UK's highest court is appointed and operates.

However, the Lords have now made the law on torture admirably clear. It accords with a common-sense view of what the international treaty intended; and if it were to do no more than put London off limits for despots, that would still send a ringing declaration to the world.

Nato politics

Giving their armed forces the green light to bomb Yugoslavia should not be an excuse for Nato's politicians to abdicate control. Their military strategy should be tailored to isolate President Slobodan Milosevic. The risk is that he might yet be bolstered by a rising tide of anti-Nato sentiment.

Disproportionately heavy air strikes could splinter alliance unity, fuel Russia's opposition, and contribute to widening the war – though on this last point both sides have their part to play. Yugoslavia has warned five of its neighbours not to help Nato, which in turn has promised to defend the same five if they are attacked by Yugoslavia.

So far, Nato governments seem united on bombing, but their publics and parliaments are not. The US Senate endorsed the strikes by an underwhelming 58-41 vote. The cautious statement on Kosovo issued by the European Union's Berlin summit reflects a different set of sensibilities. The four neutral EU nations cannot carry criticism of military action too far for fear of jeopardising their part in the EU's future defence ambitions. But Austria yesterday gave Nato an awkward reminder of the way many view the alliance action, when it said it would not allow Nato bombers to cross its territory because they were not carrying out a mission approved by the United Nations Security Council.

Nato's sidestepping of specific UN approval has infuriated Russia, which otherwise could have vetoed the bombing in the Security Council. But some of Russia's reaction has been neither credible nor clever. Moscow's threat to start ignoring the UN arms embargo on Yugoslavia begs the question of whether they have obeyed it in the first place, and would in any case jar with their complaint about Nato's disregard of the UN. And Yevgeny Primakov, the Russian prime minister, shot himself in the foot by cancelling his Washington trip. His return to Moscow set back Russia's hopes of getting badly needed International Monetary Fund money.

This gesture, so clearly against its own self-interest, indicates the depth of Russian resentment at being ignored by Nato. This should be heeded. However its Balkan venture turns out, Nato's core role remains collective defence of its members, for whom the only real future threat is a Russia resurgent and resentful.

So in the coming days and nights, Nato should limit its attacks to what is needed to halt Serb aggression in Kosovo. They should be ready to respond to any serious peace overture from Belgrade. As Clausewitz taught, war and diplomacy are indistinguishable.

End of the China goldrush

Foreign investors have been conducting a love affair with the People's Republic for two decades. But, says James Harding, attitudes are changing and the infatuation is starting to wane

When asked how long is a long-term investment in China, Camillo Donati replies: "Thirty years." He should know. He came to China in 1984 to look at business opportunities for Iveco, the Italian truck-maker.

After setting up a co-operation programme with a Chinese factory, he moved into a local hotel room in 1988 and has been living there ever since. He began negotiating a joint venture in 1992, and four years later, Iveco produced its first truck made in China. If things go according to plan, the company will make a return on its $200m investment around 2002 – nearly 20 years after Mr Donati arrived.

Patience is an essential ingredient for doing business in China. But these days it is in increasingly short supply. After nearly two decades in which companies have made allowances for China's idiosyncrasies, something extraordinary has been happening to corporate attitudes towards the People's Republic: business has begun to treat China more like any other country.

The pioneers who arrived in the 1980s – including Iveco and Unilever, the Anglo-Dutch consumer goods group – were willing to waive their usual investment criteria in order to stake out a position in the world's most populous nation and most promising economy. The second wave of companies – such as General Motors and many of the world's biggest banks – brought record flows of foreign investment, which fuelled China's rapid growth in the 1990s.

But in the past year, the China goldrush has come to an end. Figures published yesterday show a 9.5 per cent decline in foreign direct investment in January and February, raising the likelihood that inward investment will fall in 1999 for the first time this decade.

Although FDI did not grow last year, it was still a hefty $45.6bn (£28bn), making China the largest recipient of foreign investment after the US, and easily the largest among developing countries. This year, however, the outlook is glum. In private, Beijing officials say FDI could slump to as little as $15bn. Shanghai, once again a trendsetter, saw foreign investment fall by a quarter last year.

Underlying this decline is a more hard-nosed and cost-conscious approach to doing business in China.

"The bloom is off the rose," says Bill Fischer, dean of the China Europe International Business School in Shanghai. "Every day," he says, executives tell him they are not making money and do not know how much longer they can stick it out. As one German banker puts it, the China-sceptics are in the ascendancy back in Frankfurt: "All those people with a negative attitude to China are in a stronger position," he says.

The waning infatuation with China comes at an awkward time for the government, both in its handling of the economy and in its dealings with the West. Foreign direct investment has created much-needed jobs, particularly in eastern China where state-owned companies are laying off workers. If foreign investment dries up, it will be a further drag on a slowing economy.

It might also have a political impact. In the US, companies with assets in China have usually supported a policy of "constructive engagement" (ie, friendly relations) with China. If they become cooler about investment there, supporters of the more hostile policy of "containing China" may become more influential.

The decline in foreign investment is likely to weigh on the mind of prime minister Zhu Rongji as he heads next month to Washington for discussions on his country's long-standing bid to join the World Trade Organisation. A WTO deal could do much to rebuild the confidence of the foreign community in China.

Changing investor perceptions about China, therefore, have political repercussions. More immediately, they are having an impact on the way businesses are managed.

For a small but growing number of companies, business conditions have prompted a painful retreat. A few recent examples: Royal Bank of Canada has pulled out of China, worried about the health of the financial sector; Southwestern Bell of the US has withdrawn from a planned telecommunications venture because of regulatory obstacles; and Fosters of Australia is selling its Chinese breweries after failing to turn a profit in China's oversupplied beer market. Marks & Spencer of the UK closed its Shanghai office recently, after shelving plans for a store there.

Retrenchment is more common than retreat. Companies such as Unilever and Motorola, the US telecoms giant, have been cutting costs by replacing expensive expatriate employees with local staff. Moreover, new projects have been put on hold. Last year, the value of foreign investment deals fell by 7 per cent, while the number of contracts signed was down to nearly half of what it was in 1995.

Making more business-like decisions, of course, is not to say that foreign investors are deserting China. There are many companies still making money, some of them a lot. For them, the China dream is still alive.

In December, the first Buick rolled off a $1.5bn General Motors production line in Shanghai. The car is a testament to GM's long-term faith in China, rather than a measure of the demand for luxury sedans in what has proved to be a stubbornly disappointing passenger car market.

> **The phrase 'long-term player' is often assumed to be a euphemism for 'still losing money'**

For some companies, a China presence is crucial to their global ambitions. For others, it is about a stake in China's future. But in many boardrooms, enthusiasm for China has evidently cooled. So what has tempered business perceptions?

Many businesses have only themselves to blame. Some companies misread the market's potential, believing the hype about the land of a billion shoppers. Had these enthusiasts been more diligent in their market research, they might have discovered that the demand for many western products was still in the millions rather than billions.

Others, in their eagerness to get a toehold in China, left their commercial common sense at customs. In some cases, this meant rushing into unworkable joint ventures, or surrendering managerial control to untried, even unknown, local partners.

Whatever the failings of foreign investors, however, there have been three changes inside China that have forced them to reconsider their operations. First, the rapid rise of domestic competition has taken many foreign companies by surprise. In the personal computer market, for example, foreign investors have seen their hard-won share of the market quickly lost to rising Chinese PC makers. Compaq Computer was the market leader in 1994 with a 21 per cent share of China's personal computer business. Now it has 9 per cent, while Beijing-based Legend Computer is the country's most successful PC maker, with a 14.5 per cent market share.

China's white goods makers, such as Haier and Kelon, have done an even more comprehensive job of beating back foreign brands, which is one of the reasons why Whirlpool of the US dropped out of the refrigerator and air conditioner markets.

Second, the regulatory environment has become markedly more hostile in many sectors. The government has sought to support domestic businesses by issuing what are, in effect, "buy local" orders for a range of industries. This has put foreign manufacturers of mobile telecommunications equipment, some pharmaceuticals products and certain kinds of power generation machinery at a disadvantage.

The tightening of foreign exchange controls, driven by Beijing's fear of capital flight, has made life even more difficult. The US-China Business Council reports nearly 50 per cent of its members recently surveyed have decided "to reconsider, delay or even cancel intended" investments because of difficulties in importing goods and services and in repatriating profits.

Third, the slowdown in the economy and the uncertainty about the Chinese exchange rate – despite Beijing's repeated promises not to devalue – have made foreigners more cautious about new ventures.

The upshot of all this is a reshaping of corporate thinking about old-fashioned FDI.

Last year, Eastman Kodak bought three state-owned photographic film enterprises in China. The deal has heralded the possibility of a new style of foreign investment. Rather than pouring large sums of money, many years and considerable corporate energy into a greenfield operation, western companies are now looking at the merits of waiting until they can buy into established ventures. One example of this emerging trend is British Aerospace, which has established EuroMandarin, a portfolio management group for aerospace investments in China.

All in all, these changes have left foreign companies feeling older, but also wiser. Some of the once sacred assumptions that drove foreign investment into China have been debunked.

For some companies that have generated nothing but losses from their Chinese investments, the argument that "you cannot afford not to be in China" has lost credibility. Indeed, some have decided they cannot afford to be in China.

Similarly discredited has been the "first to the honeypot" thinking that dictated the sooner a brand was established in China, the bigger the share of the market it would command. Brand loyalty in China, as in other markets, has proved fluid. Domestic latecomers have happily recaptured market share. So have some tardy foreign investors.

There are even reservations about the foreign investors' most basic creed – the view held by Iveco's Mr Donati and many others that Chinese investment is a long-term project. A recent sample of corporate experiences in the country compiled by Tenbridge, a new investment consultancy, found "no evidence to suggest that companies with longer experience in China were more likely to have positive cashflows".

This, perhaps, explains why visiting chief executives are often told not to describe their companies as "long-term players" in China. Rather than a badge of honour these days, the term is often assumed to be euphemistic shorthand for "still losing money".

OBSERVER

Prodi falls on his feet

As they baked the celebratory pizzas in Rome yesterday, Romano Prodi must have been chewing on the fickleness of fate.

Three months ago, the former Italian prime minister put his chances of landing the presidency of the European Commission at "not more than 20 per cent". A little later he said he'd probably pull out "in the next few days" to concentrate on his domestic ambitions.

All along he thought that Javier Solana, the Nato secretary-general, who is now busy brooding on the Kosovo crisis, would probably beat him to the prize.

Prodi didn't reckon on things being speeded up by the recent bloodletting at the European Commission.

Though he may be thanking the stars, not all his fans will be as thrilled. His own, newly formed political party was motoring along very nicely and plenty of his followers thought they'd be in the Euro-parliament before long.

Now Prodi's all but certain to be in Brussels, but his friends may find they've just run out of gas.

Cybernews

Boss Alan Greenberg may be loath to admit it, but the Atlanta-based Internet News Company bears an uncanny resemblance to another media company in town.

With the initials GNN (standing for Greenberg News Network) and a newsroom dotted with former CNN folks, his outfit looks to be following in some very big footsteps.

Over the past year Greenberg, a former Esquire publisher, has set up GNN and a news service, Medcast Network, which provides healthcare information to doctors all over the US through the internet.

Yesterday he unveiled a computer just for doctors and he's already hired away CNN's top health reporters and producers.

Does Greenberg blush at even the thought of being Atlanta's next Ted Turner? Yes, but don't expect him to stay so coy for long.

Mecca-bound

Malaysian Prime Minister Mahathir Mohamad is off on the Haj, the pilgrimage to Mecca Moslems are required to make once in a lifetime.

Only one detail: this is the premier's second trip.

Mahathir must have decided he needs all the prayers he can get.

He's provoked an unprecedented backlash against his 18-year reign by sacking former deputy and rival, Anwar Ibrahim, who was jailed and beaten by police after accusations he committed sexual misdeeds and abused his power to conceal them.

The Haj can't hurt Mahathir's chances in future polls. Anwar always portrayed himself as the more religious of the two men, earning a wide following among the country's Moslem majority.

But under current circumstances he's not going to pop up in Mecca any time soon.

Farewell Flynn

Padraig Flynn, Ireland's garrulous European Commissioner, has decided to jump before being pushed.

Flynn confirmed yesterday he'd not be seeking to hold on to his position in a caretaker role.

"You can conclude that I have no desire to be reappointed. I have no interest in being part of a lame-duck commission," he grumbled.

Even before the current commission met its end, Flynn's future was in doubt over allegations relating to his time as a party treasurer in the late 1980s.

But with Ireland's coalition government already relying on independents to sustain its majority, prime minister Bertie Ahern has been left in an awkward spot, with little choice but to go outside his party for Ireland's new man or woman in Brussels.

As for Flynn, he returns home to face a payments to politicians tribunal later this year. Only two months ago he was regaling an Irish television audience about the onerous responsibilities of having to run homes in Brussels, Dublin and Castlebar.

Perhaps after the latest turn of the merry-go-round, Flynn the Provider as he was once known, will settle for the more frugal surroundings of his county Mayo home.

Up in smoke

Do you worry for your health every time you have a puff?

Taiwan's tobacco monopoly is looking to ease your mind with a new brand of cigarette, set for sale this summer, that will mix the poisonous weed with Chinese herbal remedies like loquat leaves and orange peel.

A cigarette that's good for you?

If it works, it might stop a few class-action suits. But Observer is coughing and spluttering with disbelief.

Comrade Blair

Hot news from one of the more passionate pro-Pinochet web-sites, undeterred by yesterday's ruling on the saintly general: "Tony Blair is the prime minister of England. He is very left-wing and is an example of the socialist takeover of Europe after the fall of the Soviet Union." Anyone told Oskar Lafontaine?

The Financial Times

100 years ago

Hungary's Treaty With India

Budapest, 24th March. In to-day's sitting of the Lower House of the Hungarian Diet, M. Rosenburg introduced an interpellation asking the Minister of Commerce whether he was aware that a law had been passed in India for the imposition of countervailing duties on sugar, and whether the Minister, when the new enactment was put into force, was prepared to take the measures rendered necessary by such a violation of the existing commercial treaty. The Minister of Foreign Affairs was urged to lay a vigorous protest before the British Government about the action of the Government of India. The duty on sugar would seriously damage the growing sugar export trade of Hungary, and contravened the treaty between Great Britain and Austria-Hungary.

50 years ago

Message From Burma

The London office of Burma Corporation has received a cable from Rangoon indicating that Namtu was liberated from insurgent occupation on March 23, that there had been no casualties of any kind and that "all was calm".

FINANCIAL TIMES
THURSDAY MARCH 25 1999

THE LEX COLUMN

No More A-

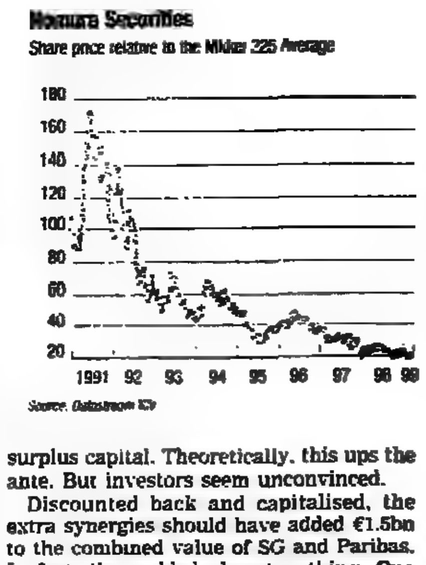
Misfortune comes in threes. That, at least, is Nomura Securities' experience. Risky exposures to Russia and US property were responsible for its $1.3bn in first-half losses, and the second half is likely to be even worse as a result of trouble at home. Bad property loans from the bubble era have finally caught up with Nomura Finance, its domestic property affiliate. Nomura will have to plug a gap which, if the latest rumours in Japan are to believed, could reach $3.6bn.

The cumulative effect of these blows has resulted in the indignity of Nomura being downgraded yesterday to close to junk bond status. Both Moody's and Standard & Poor's are worried that the losses could impair its capital adequacy.

Despite years of underperforming an underperforming Japanese market, Nomura's market capitalisation is still $23bn. Nevertheless, the brokerage house once considered Japan's answer to Merrill Lynch and Morgan Stanley is a shadow of its former self. Its international ambitions are being curtailed, while costs are being cut at home to meet the threat from aggressive foreign rivals.

All this seems sensible. Moreover, the recent rebound in the Tokyo market will be good for business. But Moody's verdict is that the restructuring is not fast enough. It would certainly be foolish for Nomura to base its strategy on the assumption that the latest Tokyo dawn will not again prove false.

Nomura Securities
Share price relative to the Nikkei 225 Average



Source: Datastream ICV

French banks

There is something unreal about Société Générale's latest shot in the tussle involving France's three largest quoted banks. Like a magician pulling a rabbit from a hat, it has conjured an extra €150m of annual post-tax synergies to support its hitherto unexciting bid for Paribas.

This is a convenient discovery. SG has been under pressure to respond since Banque Nationale de Paris launched offers for it and Paribas a fortnight ago. SG's bid now offers synergies worth 10 per cent of operating costs against the 7.5 per cent BNP says will flow from its merger plan. SG has also recast its strategy to appeal to investors: the capital devoted to investment banking has been squeezed further and €1bn-odd of shareholdings are to be sold – potentially releasing €6bn of surplus capital. Theoretically, this ups the ante. But investors seem unconvinced.

Discounted back and capitalised, the extra synergies should have added €1.5bn to the combined value of SG and Paribas. In fact, they added almost nothing. One reason is that SG has not silenced concerns that chasing investment banking synergies may lead to mass-scale revenue losses. Unless this changes, SG has a headache. Raising its bid risks weakening its share price, making it more vulnerable to BNP. One idea might be to utilise the €6bn of surplus capital to table some cash for Paribas investors. But SG's problem remains that anywhere it goes, BNP can probably follow.

Endesa/Enersis

At a shareholder meeting in Santiago next Tuesday, Endesa, Spain's biggest power group, will seek permission to double its stake in Enersis, its Chilean counterpart, to 65 per cent. Should other Enersis holders allow this, given their own management's opposition?

Yes, for two reasons. First, Enersis needs both capital and international expertise to take advantage of a flood of Latin American utility privatisations. Endesa, which has promised to make Enersis its regional platform, is able and willing to provide both. With little chance of raising equity in present conditions, Enersis looks hobbled without Endesa's backing. Second, the Spanish are offering a fat premium. Endesa's $1.5bn tender offer for the second third of Enersis is pitched at a 25 per cent premium above the current share price. That should be enough to carry the day.

In return for pumping in such big sums, multinationals such as Endesa rightly expect control. Instead they often end up fighting limits on foreign shareholdings, hostile management – the battle between YPF of Argentina and Spain's Repsol is another example – and political sensibilities. In this case there is a further complication. Chile's powerful pension funds do not want Endesa to buy 100 per cent of Enersis, much though it would like to, because it would remove too much liquidity from the local stock market. Investing in Latin America is only for the committed.

Cable and Wireless

Cable without wireless? It seems unthinkable, but Cable and Wireless is sensible at least to ponder selling its 50 per cent stake in One-2-One, the UK's smallest mobile phone operator. MediaOne's decision to sell its half share has left C&W with a tough call. Buying the stake would give it control but would be costly. Standing still would breach C&W's dictum of controlling or selling investments, and hardly help close C&W's 30 per cent discount to the sum of its parts.

One-2-One may be one of the weaker UK operators, but it is a seller's market right now. Based on the market values of listed rivals and forecast year-end subscriber levels, it could fetch £2,800 per subscriber – 20 per cent less than higher quality Orange. This gives an equity value of £7.3bn. There is no shortage of European bidders sniffing round. And the cost of mobile assets – as seen in the AirTouch auction – puts most worthwhile acquisitions beyond C&W's reach.

But where would such a deal leave C&W? It could use the £3.6bn of proceeds to build its internet and cable businesses. One option would be to pursue MediaOne's loose stake in Telewest, CWC's main rival. And not owning a mobile operator would not prevent it from offering bundled fixed line and wireless services. It could buy space on other networks. Selling One-2-One seems unambitious on the surface but, if it brought coherence to C&W, shareholders would be grateful.

Law lords restrict grounds for Pinochet extradition

By John Mason in London

The UK government appears set to acquiesce to continued Spanish attempts to extradite General Augusto Pinochet, the former Chilean dictator accused of crimes against humanity, in spite of a ruling by Britain's most senior court yesterday that weakens the case against him.

The House of Lords ruled that international law allowed that Gen Pinochet could be extradited to Spain but only for crimes committed after 1988 when the international torture convention was ratified. The decision means Gen Pinochet is no longer facing the bulk of the charges laid against him.

The law lords ordered Jack Straw, the Home Secretary (interior minister) to reconsider his approval of the extradition. However, according to government officials, Mr Straw is unlikely to reverse his previous approval of the extradition, which is still subject to court proceedings, unless the Spanish case appears impossible to mount. The ruling was claimed as a victory by human rights groups.

However, Pinochet supporters claimed the reduction in the number of charges strengthened the chances of Gen Pinochet returning to Chile. Reactions within Chile appeared muted, with only scuffles between police and Pinochet supporters outside the British and Spanish embassies. In Santiago police turned water canons on students, who were welcoming the Lords decision. There were a handful of arrests.

Baltasar Garzon, the Spanish investigating magistrate bringing the case against Gen Pinochet, is understood to be undeterred by the Lords decision and is expected to continue the prosecution.

Despite the Spanish government's reluctance to support the prosecution, a spokesman for the ruling Popular party described the rejection of immunity as "very positive".

The law lords decided by a six to one majority that Gen Pinochet could not claim immunity from prosecution for crimes including torture committed after 1988.

Lord Browne-Wilkinson, their chairman, said to rule otherwise would mean "the whole structure of universal jurisdiction over torture committed by officials is rendered abortive and one of the main objectives of the torture convention – to provide a system under which there is no safe haven for torturers – will have been frustrated".

However, they ruled that extradition law did not allow for him to be prosecuted in Spain for alleged crimes before 1988 when the UN Convention Against Torture, which was drawn up in 1984 and made torture a universal crime, was ratified by the UK parliament.

William Hague, the Conservative Party leader, said the ruling was a "sad day for democracy". He went on: "The handling of this case has soured relations with Chile and destabilised their democracy".

Additional reporting by Andrew Parker and Jimmy Burns in London and David White in Madrid

Twice damned, Page 14
Observer, Page 15

Music industry launches legal battle against internet piracy

By Alice Rawsthorn in London

The music industry is taking legal action against the software company which developed the technology used by Lycos, one of the largest US search engine operators, to find music on the internet.

As part of its battle against internet piracy, the International Federation of the Phonographic Industry has initiated criminal proceedings for copyright infringement against the software company, FAST, in Norway, where it is based.

Downloading music on so-called MP3 files – compressed sound files on which music is stored on the internet – has recently become one of the most popular internet activities, particularly among teenagers, as an alternative to buying compact discs or listening to the radio.

Lycos launched MP3 Search, a specialist music engine, in early February to enable consumers to locate more than 500,000 MP3 sound files.

Of those 500,000-plus files, "virtually none" were posted on the internet with the copyright holders' consent, according to Jay Berman, chairman of the IFPI, which represents the world's record companies.

Together with the Recording Industry Association of America, the IFPI is looking into the possibility of taking legal action against Lycos, as well as FAST, in the US.

Mr Berman said: "These unauthorised files include material from virtually every artist you can think of, from the Beatles to Madonna." He added: "We can't tolerate a situation where a search engine as sophisticated as this helps people to access hundreds of thousands of pirated files."

The dispute over MP3 Search highlights a potentially explosive conflict of interest for the diversified media and entertainment groups which dominate the $38bn global music market.

Lycos is presently being bid for by USA Networks, a television company 46 per cent owned by Seagram, the Canadian concern that also controls Universal Music, the world's biggest music group.

Seagram, which has voting rights on USA Networks' board, paid $11bn last autumn to expand Universal Music by buying the PolyGram group.

Rising internet piracy is regarded as the single most important problem facing the international music industry. If USA Networks succeeds in its attempt to control Lycos, Seagram could find itself in the embarrassing situation of being part-owner of a company which poses a serious commercial threat to its expensively expanded music subsidiary. Seagram declined to comment on the issue.

Internal conflicts of interest could arise for other media groups with music interests, notably Time Warner of the US and Japan's Sony, as they accelerate their diversification into internet-related activities.

Until now, such conflicts have been limited to wrangles when the hardware manufacturing subsidiaries of conglomerates such as Sony and Philips. PolyGram's former parent company, have threatened to imperil the interests of their music subsidiaries by manufacturing recording devices.

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Anti-mosquito insecticide is sprayed by Malaysian officials before the slaughter of diseased pigs. The mosquitoes carry Japanese encephalitis from pigs to humans, and the virus has killed 58 people. Page 4 AP

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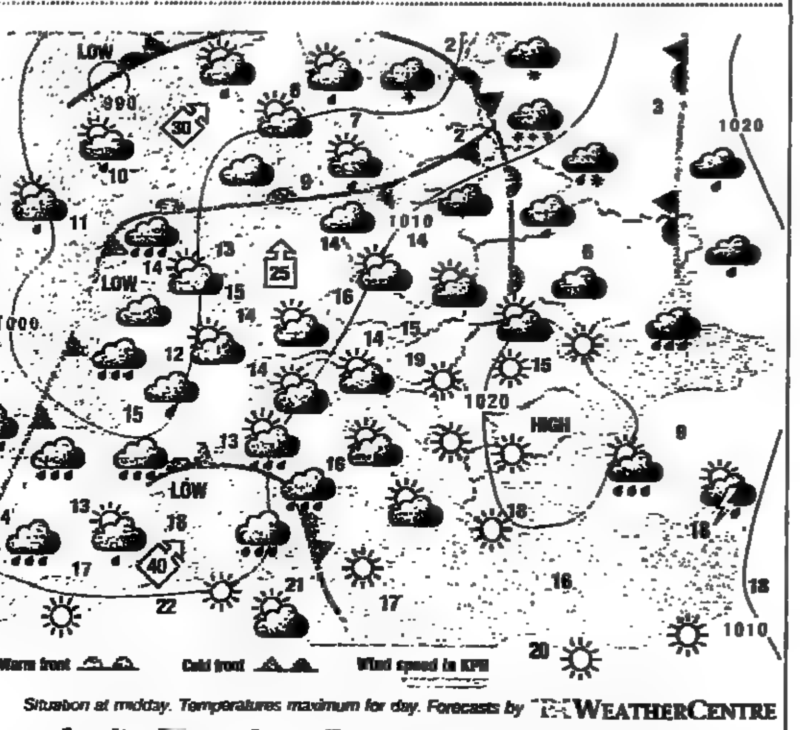
FT WEATHER GUIDE

Europe today

The Iberian Peninsula, together with southern and western France, will have showers which will be thundery in places. The Low Countries, eastern France, southern Germany, the Alps, much of Italy and the Balkans will be warm with hazy sunshine but north-west Italy will have heavy showers by evening. Greece will be much brighter than yesterday with lots of sun. Denmark, northern Germany and Poland will be milder than of late with bright spells but it will continue cold and unsettled further north and in the north-east.

Five-day forecast

Central and western Europe will be very unsettled for the next few days with showers and fresh snow in the Alps and Pyrenees. Greece will have rain tomorrow. Eastern Europe will be dry and bright with temperatures rising slowly.



Situation at midday. Temperatures maximum for day. Forecasts by The WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	28
Accra	Fair	32
Algiers	Fair	22
Amsterdam	Fair	13
Athens	Sun	18
Atlanta	Rain	11
B. Aires	Fair	25
B.ham	Shower	12
Bangkok	Fair	35
Barcelona	Fair	17
Beijing	Fair	17
Belfast	Shower	10
Belgrade	Sun	19
Berlin	Fair	14
Bermuda	Fair	23
Bogota	Fair	19
Bombay	Sun	33
Brussels	Fair	15
Budapest	Sun	15
C.hagen	Cloudy	8
Cairo	Fair	21
Caracas	[illegible]	30
Cardiff	Shower	11
Casablanca	Shower	19
Chicago	[illegible]	11
Cologne	Fair	17
Dakar	Sun	23
Dallas	Shower	16
Delhi	Sun	32
Dubai	Sun	29
Dublin	Shower	11
Dubrovnik	Sun	17
Edinburgh	Shower	9
[illegible]	Shower	[illegible]
Frankfurt	Fair	17
Geneva	Fair	14
Gibraltar	Shower	18
Glasgow	Fair	10
Hamburg	Fair	14
Helsinki	Sleet	2
Hong Kong	Rain	23
Honolulu	Fair	28
Istanbul	[illegible]	11
Jakarta	Thunder	32
Jersey	Rain	11
Johannesburg	Fair	22
Karachi	Sun	32
Kuwait	Sun	30
L. Angeles	Shower	15
Las Palmas	Fair	21
Lima	Cloudy	28
Lisbon	Shower	17
London	Shower	14
Lux.bourg	Fair	14
Lyon	Shower	15
Madeira	Fair	18
Madrid	Shower	13
Majorca	Fair	18
Malta	Fair	17
Manchester	Rain	11
Manila	Fair	31
Melbourne	Shower	26
Mexico City	Fair	25
Miami	Sun	28
Milan	Fair	15
Montreal	Snow	3
Moscow	Drzzl	3
Munich	Fair	17
Nairobi	Fair	30
Naples	Fair	18
Nassau	Fair	27
New York	Fair	13
Nice	Rain	13
Nicosia	Thunder	18
Oslo	Sun	6
Paris	Shower	12
Perth	Fair	26
Prague	Sun	18
Rangoon	Fair	34
Reykjavik	Fair	1
Rio	Thunder	28
Rome	Shower	16
S. Frsco	Shower	17
Seoul	Fair	16
Singapore	Thunder	32
Stockholm	Shower	7
Strasbourg	Fair	16
Sydney	Shower	28
Tangier	Shower	17
Tel Aviv	Thunder	18
Tokyo	Shower	16
Toronto	Fair	5
Vancouver	Shower	11
Venice	Fair	14
Vienna	Sun	14
Warsaw	Fair	14
Washington	Shower	15
Wellington	Fair	17
Winnipeg	Fair	10
Zurich	Fair	14

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Shareholders shun Olivetti bid
Shareholder reaction to Olivetti's bid for Telecom Italia is that the offer of €10 a share is too low, with most favouring a price of €11/€12. But Roberto Colaninno, Olivetti chief executive, has so far ruled out raising the offer. Page 18

Life assurers to boost capital bases
At least six of Japan's life assurers are to apply for a total of more than Y500bn ($4.24bn) in subordinated loans and bonds to boost their capital bases, as pressure mounts on the industry to improve its financial health. Page 23

Price drop hits Newmont's Bali mine
Newmont's Batu Hijau copper and gold mine on an island east of Bali is the world's largest mine in the making. But copper prices have fallen to 62 cents a pound, casting doubt on the mine's ability to make money. Commodities, Page 28

Primakov pull-out threatens stocks

The decision of Yevgeny Primakov, Russian prime minister (left), to postpone a visit to Washington – and the IMF headquarters – could mark a turning point for the Russian stock market, which had been rising as a result of the global rebound in emerging markets, higher commodity prices and the likelihood of a stop-gap IMF deal. Emerging Market Focus, Page 36

Price cuts make palm oil attractive
Export demand for Malaysian palm oil remains subdued, but price falls have made it more attractive to European buyers. Since the start of 1999 the export price has dropped $150 to $495 a tonne FOB. Commodities, Page 28

C&W, Media One may sell One-2-One
Cable and Wireless and MediaOne are considering either the sale or a public offering in One-2One, the mobile phone group, prompted by Comcast's acquisition of MediaOne. Page 24

Arab bank margins under pressure
As Middle Eastern banking margins come under pressure, opportunities have shrunk and the sector faces the consolidation and cross-border expansion seen in Europe and the US. Page 20

Pakistan could default on bonds
Restructuring Pakistan's debt to the Paris Club of government creditors could trigger a default on international bonds that might spill over into other countries. Capital Markets, Page 26

Power industry faces liberalisation
The $300bn wholesale US gas and power business is characterised by huge volatility and slim margins. But the tightly regulated industry has lately become even more competitive as it undergoes liberalisation. Page 21

COMPANIES IN THIS ISSUE

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MARKET STATISTICS

APPOINTMENT CONTRADICTS SPECULATION THAT CHIEF EXECUTIVE'S JOB HAD BEEN OFFERED TO POTENTIAL MERGER PARTNERS

Insider takes top post at Chase

By John Authers in New York

Chase Manhattan yesterday announced that William Harrison, head of its global bank, would take over as chief executive in a wide-ranging management reshuffle, contradicting speculation the role was on offer to potential merger partners.

Walter Shipley, formerly chief executive of Chemical Banking before its 1995 acquisition of Chase, will relinquish the role of chief executive in June, and become chairman. He will retire from this role by November next year, his 65th birthday, and will be succeeded by Mr Harrison.

Thomas Labrecque, chief executive at Chase before the merger and currently president and chief operating officer, will retire.

The post of chief operating officer will remain vacant, and all senior executives will report to Mr Harrison.

The moves followed reports last week that Mr Shipley had offered the chief executive's title to potential merger partners. Mr Shipley denied this yesterday, and said that Chase had never considered appointing a chief executive from outside its executive committee.

Chase does not have equity underwriting capabilities, and is known to have held several discussions with large investment banks in the last year. Merrill Lynch is most widely mentioned, while Goldman Sachs, Morgan Stanley Dean Witter and J.P. Morgan have also been talked of as potential partners.

Mr Harrison made clear that Chase would continue to look for more merger opportunities. He said: "We have been through two very successful mergers. They've created tremendous value for shareholders. We are continually looking at the options going forward strategically. But we want to make it clear that we don't have to do a merger to continue the momentum we have as a company."

Mr Harrison's appointment surprised many analysts. Marc Shapiro, head of risk management and previously chief executive of Texas Commerce Bank, had been considered the front-runner.

David Berry, head of research at Keefe, Bruyette & Woods, said the move was "a vote for continuity". Like Mr Shipley, Mr Harrison has spent all his career at Chemical Banking, and was involved with its acquisitions of Manufacturers Hanover in 1991 and Chase Manhattan in 1995. He is responsible for businesses that account for more than two-thirds of Chase's earnings.

The decision not to appoint a deputy may help to ensure that all these executives remain with the company. It will also make it easier to offer senior posts in any future merger negotiations.

Diane Glossman, banking analyst at Lehman Brothers, said: "I don't believe this announcement necessarily precludes them from doing a transaction. Depending on who they would merge with, the chief executive slot would probably not have been available anyway. There could still be a reshuffle if there is a transformational deal."

Mr Berry added: "It's easy to over-analyse this. Could we wake up some Monday and find that Chase is in a merger with Merrill? Sure. That was true last week, and it's still true today."

US credit rating agencies downgrade Nomura

By Naoko Nakamae in Tokyo

Nomura Securities, Japan's biggest broker, was dealt a double blow yesterday when it was downgraded by the two largest US credit rating agencies because of concerns over its capital base and earnings and growth prospects.

Standard and Poor's lowered its long-term rating for Nomura from A- to BBB, the lowest investment grade category. S&P also lowered its short-term rating from A2 to A3, while Moody's reduced Nomura's long-term rating from Baa1 to Baa2 and placed its short-term rating on review.

The downgrades reflect the growing problems at Nomura, which most recently include heavy losses at its real estate subsidiary, Nomura Finance.

The broker also recorded first-half losses of about $1.3bn in overseas markets.

Nomura is appealing to large Japanese banks to extend about Y300bn in subordinated loans.

S&P yesterday pointed to "the severely distressed asset quality of Nomura's non-bank affiliate, Nomura Finance; persistently large high-risk exposures in the US; and challenges associated with the implementation of its revised domestic strategy."

Junichi Ujiie, Nomura president, said: "We are disappointed that these announcements come only a matter of weeks before our annual results and fail to reflect the very significant progress Nomura has made in the past six months."

Paul Heaton, analyst at Deutsche Bank in Tokyo, said: "Nomura came to rely on its overseas earnings in the 1990s, but with little profits expected [from overseas operations] in the future, it will have to get to grips with its clients in Japan."

In another sign of mounting pressures on the sector, Wako Securities and New Japan Securities, two mid-size brokers, yesterday said they were merging to create the country's fourth-largest securities house.

Nomura's shares were down 5.28 per cent, or Y76, to Y1,364 yesterday, in a falling market.

Lex, Page 16
Wako merger, Page 23

Ameritech takes 20% holding in Bell Canada

By Scott Morrison in Toronto and Nicki Tait in Chicago

Ameritech, the US local telecommunications group, is expanding its international portfolio by investing US$3.4bn to acquire a 20 per cent stake in Bell Canada, the largest Canadian telephone carrier.

Ameritech and BCE, Bell Canada's parent, said the strategic partnership would enable both carriers to expand their international presence, co-operate on product development and jointly pursue new growth opportunities.

BCE, Canada's largest telecoms group, would retain an 80 per cent stake in Bell Canada, which has about 11m customers in Ontario and Quebec.

BCE had been seeking a larger international partner for Bell Canada amid the continuing consolidation in the global telecoms industry. Analysts said Bell Canada would benefit from the stronger purchasing power that Ameritech could provide.

Ameritech, which serves customers in five midwestern states, said it was approached by Bell Canada. Executives said Bell Canada was an attractive addition to the US group's current US$10bn portfolio of investments in countries such as Belgium, Hungary, Norway and Denmark.

Analysts said the investment was particularly attractive as BCE shares were significantly undervalued, in part because of Canada's restrictions on foreign investment.

Ameritech would get first right of refusal if BCE decided to sell more of its remaining 80 per cent stake, but the US company said that no increase was expected in the foreseeable future.

Under the agreement, Bell Canada's holdings were restructured to include assets previously owned by BCE. These include 65 per cent of BCE Mobile, the wireless service provider, and a 21.5 per cent interest in Teleglobe, the international network operator. Bell Canada would also acquire BCE's interest in six regional Canadian carriers.

Based on these holdings, Bell Canada had 1998 pro-forma revenues of $8.8bn and provided services to 11m lines and 2m wireless customers. Ameritech had 1998 revenues of $17bn and provided services to 21m lines and 3.5m wireless customers.

Jean Monty, BCE chief executive, said his company would use the proceeds of the deal to invest in high-growth sectors such as e-commerce and satellite services, as well as systems integration and services.

The company may also buy back shares over the next six months to offset partially the dilution to BCE earnings caused by the reduction of its interest in Bell Canada.

Ameritech said it planned to play a management role at the Canadian company by sending 12-15 senior managers, including a chief financial officer, as well as supplying marketing and financial expertise.

The US group is currently seeking final regulatory approval for its $60bn merger with SBC Communications, but did not expect the Canadian deal to have any impact on the regulatory process.

Ameritech was advised by Rothschild and BCE by Nesbitt Burns.

Commerzbank of Germany said it had set aside DM100m (€51m, $56m) in risk provisions for its Chinese operations as Martin Kohlhaussen, chairman, above, announced net profits up 39%. Report, Page 18

Elektrim buys Polish telecoms group for $325m

By Christopher Bobinski in Warsaw and Stefan Wagstyl in London

Elektrim, Poland's largest listed industrial group, yesterday announced the $325m cash acquisition of Bresnan Telecommunications Poland, a telecommunications and cable television company, in a move aimed at expanding its fast-growing business in the sector.

The deal, Poland's largest takeover by a domestic company outside the financial services sector, highlights the growing scale and sophistication of the country's corporate activities.

"We aim to become the second largest telecoms company after TP SA [the state-controlled national operator]," said Barbara Lundberg, Elektrim's new chief executive. "We are trying to create a flagship Polish company in both telecommunications and energy and power."

Ms Lundberg, a US national, was appointed last month after the previous chief executive was forced to resign in the wake of protests from shareholders about the belated disclosure of market-sensitive information.

Elektrim, which started as a state-owned foreign trade company specialising in telecoms and power equipment, is also negotiating to take over Patnow-Adamow-Konin, a state-owned power generating complex, against competition from National Power of the UK.

The government is selling 25 to 35 per cent of TP SA, listed last year with the flotation of a 15 per cent stake. Bidders are expected to include France Telecom.

Deutsche Telekom, which has ruled out bidding for TP SA, is already Elektrim's partner in Era GSM, Poland's biggest mobile telephone operator.

Ms Lundberg said the German operator would be her "preferred partner" for the company's fixed-line telecommunications business.

Elektrim has 10 local fixed-line operating licences, which include a licence for Warsaw.

Bresnan, an affiliate of Bresnan Communications, a US telecoms group, has two local operating licences on Poland's western frontier and is the country's second-largest cable TV network with 360,000 subscribers.

Lundberg said Elektrim next plans to purchase further local operators. The group also intends to raise its stake in Era GSM by buying out smaller shareholders in the venture.

Elektrim share prices fell 4.1 per cent on the Warsaw stock exchange, although the Bresnan purchase was greeted enthusiastically by analysts.

BTR Siebe aims to raise $3bn by selling divisions

By Andrew Edgecliffe-Johnson and William Lewis in New York

BTR Siebe, the UK engineering controls and automation group, is looking to raise about £1.9bn ($3bn) from the sale of its automotive and paper technology businesses.

Analysts and shareholders had thought the two businesses would fetch about £1.5bn.

The automotive division, which includes Siebe's fluid systems assets as well as BTR's sealing systems and anti-vibration division, could be sold as one piece to a financial buyer for an expected £1.2bn, people close to the company said yesterday.

Blackstone Group, the US-based financial group, is thought to be among the financial buyers, according to people familiar with the disposal process. Lear Corporation might be interested, people close to the talks said.

Blackstone recently lost to Lear in the battle to buy United Technologies' auto parts division. Lear won that auction with a bid of $2.3bn, beating Blackstone's bid by $50m. Had Blackstone succeeded, it would have been one of the largest sums the investment group had spent on an acquisition.

Goldman Sachs has been appointed to sell BTR Siebe's automotive business, and could secure a sale as early as next month. The investment bank declined to comment yesterday.

The auction of paper technology, which is being handled separately, will not begin for a month, but is expected to raise £600m-£700m.

If BTR Siebe succeeds in raising £2bn, Siebe will have recouped more than half the cost of its all-paper merger last year with BTR.

The merged company, which announced plans this week to change its name to Invensys, will also be able to define itself more clearly as a controls and automation company.

The combined automotive operations had sales of £1.64bn in 1998, while paper technology, which includes the Weavexx brand, had sales of just £300m.

The paper business, which makes coverings and felts for the rollers of paper mills, competes with Albany of the US and Scapa of the UK, but its strong cash generation is likely to attract financial buyers.

BTR Siebe has stopped short of selling the remainder of the former BTR specialist engineering business.

For now, it will retain the division's rail and environmental divisions and integrate them into the group.

The stake in Nylex Malaysia, the small conglomerate of which BTR owned 52 per cent, is expected to be sold, but the disposal is thought to be low-priority and may take far longer.

It is understood that no automotive industry buyer was prepared to buy the entire car components division.

However, it is understood that BTR Siebe received expressions of interest for individual operations, such as the sealing systems company, which commands more than half of the US market for car windscreen and car window seals.

FINANCIAL SERVICES GERMAN BANK SETS ASIDE DM100M TO COVER ASIAN RISKS

Commerzbank makes China provision

By Tony Barber in Frankfurt

The first sign that China's financial problems may be affecting the performance of European banks emerged yesterday when Commerzbank of Germany said it had set aside DM100m (€51m, $56m) in risk provisions for its Chinese operations.

Commerzbank, Germany's fourth largest commercial bank, said its exposure to China was small in comparison with the heavy involvement of European banks in 1997 and 1998 in the markets of south-east Asia, Russia and Latin America.

Nevertheless it was the first time the bank had included China in its provisions.

Commerzbank took the precaution just before the state-owned Chinese investment agency Gitic, which owed hundreds of millions of dollars to foreign banks, was declared bankrupt in early January.

Gitic's bankruptcy shook foreign banks because they had lent money in China on the assumption that the central government would bail out troubled state-owned companies with debts to foreigners. Gitic's bankruptcy proceedings are due to start in a few weeks.

Commerzbank said it had also set aside DM100m in provisions for Russia late last year, but that its overall risk provisions would fall by about 30 per cent this year to DM1.3bn from DM1.72bn in 1998 and DM1.86bn in 1997.

The bank said it had significantly reduced its exposure to high-risk emerging markets after being hit by the turmoil in south-east Asia in 1997.

It had successfully avoided involvement in the problems that erupted last year in the Russian rouble bond market and in US hedge funds.

Commerzbank's chairman, Martin Kohlhaussen, said the bank was focusing this year on European expansion. He said Commerzbank wanted to be part of a core shareholder group in Crédit Lyonnais, the French bank due for privatisation this year, and would like a stake of about 5 per cent.

He also said Commerzbank wanted to take a 2.5 per cent stake by 2001 in Italy's largest insurer, Assicurazioni Generali, to underpin the two groups' co-operation. Generali holds a 5 per cent stake in Commerzbank.

"At the European level, we are working on the idea of a transnational financial alliance," Mr Kohlhaussen said. "Significant partners from other countries should be added to the 'elective affinities' we have with major banks in Italy, Austria and Spain."

He said Commerzbank was on course for improving its return on equity this year to its target of 15 per cent.

Pre-tax return on equity last year was 10.4 per cent. Commerzbank issued a revised net profit figure for 1998 of DM1.74bn, up 39 per cent from 1997.

Battle begins in earnest over Telecom Italia

Rivals are wooing shareholders in Olivetti's takeover fight, say **Vincent Boland and Andrew Edgecliffe-Johnson**

Shareholders in Telecom Italia will not go hungry as they study Olivetti's hostile €52.6bn ($57.31bn) bid for their company.

At a series of lunches and dinners this week, Franco Bernabe, Telecom Italia chief executive, and Roberto Colaninno, his counterpart at Olivetti, have been wooing UK-based shareholders as the battle for hearts and minds in Europe's biggest takeover begins in earnest.

So far, shareholder reaction to Olivetti's bid terms and Telecom Italia's response has been lukewarm. While they see merit in both strategies, the only point on which shareholders appear unanimous is that Olivetti's bid of €10 a share is too low, even though Mr Colaninno has so far ruled out raising it.

"The crux of the matter is that I look at the competing plans, and to me it boils down to who you have more confidence in to execute shareholder value in the long term," said Jeff Diamond, vice president and assistant portfolio manager at Franklin Mutual Advisers, a US shareholder in Telecom Italia. Schroder Securities, in a research note on the bid this week, said there was "a good chance" of Olivetti winning 67 per cent acceptances from Telecom Italia shareholders, but only if the bid price were raised to €11/€12 a share and trade union support secured, and if Telecom Italia did not "significantly" improve its defence plan.

The bid – which has yet to be formally launched – has set neither company alight, and telecoms stocks appear to have fallen out of favour since Olivetti announced its intention to take over Telecom Italia in mid-February.

When it finally does come next month, Olivetti's bid will target only Telecom Italia's ordinary shareholders. But there is another class of shareholder now demanding to be considered and claiming to have the power to block Olivetti's plans unless it addresses their interests.

These are Telecom Italia shareholders who own savings shares – which do not have voting rights. They own 29 per cent of Telecom Italia and many are based in the US and UK. They claim they have the power to block a merger of Telecom Italia with Tecnost, the Olivetti bidding vehicle.

Savings shareholders have certain privileges not afforded to Telecom Italia's ordinary shareholders. They get slightly higher dividends, have preferred status in the event of liquidation and are last on the list to bear any losses Telecom Italia incurs.

And while their shares do not carry voting rights, under Italian law they have the right to vote if ordinary shareholders put forward proposals that "prejudice" those privileges.

Michaele Ragazzi, a partner at Newman Ragazzi, adviser to Giani Capital, which owns both classes of Telecom Italia shares, said the terms of Olivetti's bid could threaten those privileges because a merger would leave savings shareholders owning a higher proportion of a company with much higher debt (the bid is largely being financed by debt).

He said this gave them the right to vote on the merger of Tecnost and Telecom Italia even though technically their shares carry no voting rights.

"I think it will be very difficult for any court to say the interests of savings shareholders, as part of a new company [Tecnost] with a lot more debt, are not prejudiced," he said.

Shareholders who attended Telecom Italia presentations said Mr Bernabe supported that view.

Seeking to reassure Telecom Italia's savings shareholders, Olivetti has told them their privileges would be unchanged under its takeover terms, and that they could gain even more than ordinary shareholders if the takeover succeeded.

Olivetti's advisers – Chase Manhattan, Lehman Brothers, Mediobanca and Donaldson, Lufkin & Jenrette – said savings shareholders would own 50 per cent of Tecnost if the takeover succeeded with 100 per cent acceptances from ordinary shareholders. If the level of acceptances was 67 per cent, the savings shareholders would end up with 37 per cent of Tecnost.

In both cases, that is a higher level of equity participation than savings shareholders enjoy in Telecom Italia. But it remains to be seen whether they are ready to accept the terms.

Some savings shareholders say they are prepared to take legal action to assert their rights, although none was prepared to say so in public. Whether they do or not, it is clear there is a lot of work for lawyers on both sides.

Strategy meeting brought forward

Telecom Italia yesterday surprised the markets by bringing forward its extraordinary shareholders meeting to approve its new industrial strategy and its defences to fight Olivetti's bid, writes **Paul Betts in Milan**. The group called its shareholders meeting on April 9 in Turin with the possibility of extending it to April 10 and April 11.

The move came as the Italian government cleared Olivetti's sale of its stakes in Omnitel, the mobile phone company, and Infostrada, the recently launched fixed-line telephone venture, to Mannesmann of Germany in the event its bid for Telecom Italia is successful. The sale is designed to help Olivetti finance its bid at the same time as complying with anti-trust regulations.

Telecom Italia had originally been expected to call the meeting either on April 12 or April 16. By bringing forward the date, the company appeared to be signalling that it was confident of assembling the necessary 30 per cent quorum of shareholders to approve its strategy.

Mediobanca chief faces pressure to stand down

By Paul Betts in Milan

Vincenzo Maranghi, the chief executive of Mediobanca, yesterday came under increasing pressure from some shareholders and bankers to step down to clear the way for a radical restructuring of the Milan investment bank caught up in the middle of the consolidation of Italy's banking system.

Mr Maranghi, the bank's chief executive for the past 10 years and the protégé of Enrico Cuccia, Mediobanca's 92-year-old honorary chairman, is being increasingly blamed for the bank's loss of influence after a string of well publicised setbacks.

The latest was his attempt to force a merger between Banca di Roma and Banca Commerciale Italiana (BCI). This has collapsed following weekend bids by San Paolo-IMI, the Turin bank, to merge with Banca di Roma and a separate offer from Milan's UniCredito Italiano to merge with BCI.

Milan bankers yesterday dismissed speculation that Mediobanca was considering mounting a rival bid for BCI. Italian press reports suggested that Mr Maranghi, with the support of Mr Cuccia and Cesare Romiti, the former chairman of Fiat and a traditional ally of Mediobanca, were planning a L25,000bn ($14.08bn) bid for BCI. Mr Romiti said yesterday in a newspaper interview: "What would I do with this money: elope with Sharon Stone?"

Bankers also said it would be difficult for any eventual rival bid to be mounted without prior approval of the Bank of Italy. The central bank has already made it clear it is opposed to any hostile bids.

If Mediobanca's top management issue was not resolved quickly, bankers said yesterday, there was a risk that Mediobanca's investment banking unit could be taken over or dismembered. About 90 bankers work for the investment unit and many have already been approached by rival US investment banks.

It is also understood that US investment banks keen to expand in Italy are already considering luring away the entire Mediobanca investment team.

Mediobanca's activities are split between its investment banking operations and its rich portfolio of holdings in large Italian financial and industrial groups.

BCI's board yesterday said it would meet on Saturday to consider UniCredito's share exchange offer. Although there is expected to be resistance from allies of the Mediobanca old guard on the BCI board, bankers yesterday felt the balance was now tilted in favour of the UniCredito merger.

Banca di Roma's board yesterday postponed a decision on San Paolo-IMI's merger offer saying it needed to be examined more deeply. However, Italian bankers said the Rome bank was also expected to eventually approve a merger.

SG and Paribas say merger could create extra synergies

By Clay Harris in London and Samer Iskandar in Paris

Société Générale and Paribas said yesterday their proposed merger would create €258m ($281m) more in annual synergies by 2001, mainly through reduced costs, than they had initially thought.

The French banks predicted total synergies now exceeding €1bn would enable SG Paribas to achieve a return on equity of 18 per cent by 2001, against an original estimate of 15 per cent and a pro forma combined figure of 11 per cent in 1998.

SG and Paribas gave details of their new forecasts in an effort to win support for their agreed deal, announced in February, rather than the hostile bid for both launched earlier this month by Banque Nationale de Paris. Analysts welcomed the move, whose main effect was perceived to be increased pressure on BNP to improve its offer.

Yesterday's initiative comes ahead of a crucial meeting tomorrow of market regulators. Approval by the credit institutions committee (CECEI), chaired by the central bank governor and comprising treasury officials and bankers, is necessary for BNP's offers to proceed.

Its decision is seen as a watershed for French banking. Clearance for BNP's offer would be interpreted as signalling the end of a tacit taboo against hostile bids.

SG and Paribas said they now expected total cost savings of €988m and revenue enhancements of €55m. They also promised to achieve 40 per cent of expected corporate and investment banking cost cuts of €732m within one year of completion.

They said the revised business plan would create €12.8bn in excess capital by 2001. Of this, €3.3bn would arise from reduction of low margin businesses, €1.2bn from profits on asset sales and €8.3bn from net income over the period.

Nearly half of the total, some €6.2bn, would be available for share buy-backs or other ways of increasing shareholder value.

Daniel Bouton, SG chairman, said a mass-media advertising campaign to defend the SG Paribas project was imminent. This week, BNP launched a radio advertising campaign.

BNP shares fell €1.15 to €76.80, SG was unchanged at €171 and Paribas closed 60 cents up at €101.50.

Fimalac bids for Strafor Facom

By Samer Iskandar in Paris

Fimalac, the holding company controlled by Marc Ladreit de Lacharrière, the secretive French businessman, yesterday launched a surprise takeover bid for Strafor Facom, the French tool and car components manufacturer.

The move is the latest step in a reshuffling of the activities of Fimalac, whose main business is Fitch-IBCA, the financial rating agency created by the recent merger of Fitch, of the US, and the Franco-British agency IBCA.

Fimalac is offering €80 for each Strafor Facom share, valuing the target at €848m ($924m), a 20 per cent premium over the last closing price and 24 per cent more than the average price over the past month. Its offer is conditional on obtaining at least 50.01 per cent of outstanding shares.

Fimalac said it aimed to "accelerate the international development of Strafor Facom, by giving it the means to become a world leader in hand-held tools".

Last year, Fimalac sold Sefimeg, its property arm, to a group of investors led by François Pinault, who controls Pinault Printemps Redoute, the retailing group fighting with luxury group LVMH for control of Gucci, the Italian fashion company.

In recent years, Fimalac also spun off its media arm and sold Sofres, the opinion polling concern.

Strafor Facom has also been restructuring, under the leadership of Paul-Marie Chavanne, who took the helm less than a year ago. Last month, it sold its 50 per cent stake in Steelcase Strafor Facom, an office furniture business, to its US joint venture partner Steelcase.

Yesterday's announcement threatens to block a plan by Strafor Facom to merge with Autodistribution (AD), a car components wholesaler. The deal was to be financed through the distribution of new Strafor Facom shares to AD shareholders, giving them 20 per cent of the enlarged group's equity.

The plan, agreed between the two groups' managers, is to be submitted to AD shareholders by the end of May.

New chief quits struggling CME

By Kevin Done, East Europe Correspondent

Central European Media Enterprises (CME), the pioneer of privately owned commercial television in east Europe, has changed its senior management for the second time in 12 months after facing continuing heavy losses and a deep fall in its share price.

The company said Michel Delloye, chief executive for the past year, had resigned "to pursue other business opportunities".

Mr Delloye was previously chief executive of CLT, the international media group, and was instrumental in bringing about its merger in 1996 with Ufa, the television division of Bertelsmann to create one of Europe's biggest privately owned broadcasting groups.

He has been replaced at CME by Fred Klinkhammer, who joined CME in January, 1998, as chief operating officer and executive vice president. He previously operated an international broadcasting and telecommunications consultancy and held several leading positions in broadcasting and cable television operations in Canada.

The company has faced serious financial problems in Poland and Hungary during the past year. Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune and controlling shareholder and non-executive chairman of CME, has been forced to provide additional equity capital to shore up the group's finances.

He injected $22.725m into CME through RSL Capital, his wholly-owned company. In the past 12 months the CME share price has fallen to a low of under $5 from a peak of $30. It has risen to around $8 per share in recent trading.

CME has also strengthened its finances through a new $15m loan syndicated by ING Barings, that was agreed two weeks ago, and it has sold its 9.6 per cent stake in Mobil Rom, one of two mobile phone operators in Romania. The group suffered a net loss of $88.7m in the first nine months last year compared with a loss of $60.6m a year ago.

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...ca chief faces
...o stand down

...ibas say merger
...extra synergies

...ew chief quits
...ruggling CMI

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MEDIA PACKER GROUP EYES LEADING CHAIN

CPH makes bid for Hoyts Cinemas

By Russell Baker in Sydney

Consolidated Press Holdings, the family company of Australian media tycoon Kerry Packer, has launched a A$609m (US$390m) takeover bid for Hoyts Cinemas, one of the country's two leading cinema chains.

CPH has unveiled a A$2.00 a share offer for the ordinary shares of Hoyts Cinemas, to which are stapled common shares in Hoyts Cinemas America.

The Hoyts group has 1,662 cinema screens at 211 sites in Australia, New Zealand, the US, Mexico, Argentina, Chile, Uruguay, Germany and Austria.

CPH is already to entitled to 17.13 per cent of Hoyts stapled shares after securing options to acquire shares from Hellman & Friedman, the US investment bank, and Lend Lease, the large Australian property and financial services group.

Hellman has agreed to sell half its 25 per cent stake and Lend Lease will be selling all of its 4.6 per cent holding. It is understood CPH is happy with Hoyts' present strategy and views its bid as an investment rather than an aggressive takeover offer.

Last month Hoyts reported a 2.3 per cent rise in net profit to A$15.58m for the half year to December 31, 1998. Peter Ivany, Hoyts chief executive, said at the time "the group is on track with the implementation of our considered and careful growth strategy worldwide by upgrading to, and expansion of, new stadium-style megaplex cinemas".

However Mr Ivany warned that Hoyts full-year results would be "relatively flat".

Hoyts' scrip closed at A$1.85 yesterday, prior to the announcement of the CPH offer.

Meanwhile, Mr Packer said he still wanted to control John Fairfax, the Australian newspaper group, and that News Corp, controlled by Rupert Murdoch, should be free to take over Seven Network, the television group.

Mr Packer's CPH controls Publishing & Broadcasting (PBL), which owns the Nine Network and a stable of magazines. Cross-media rules prevent him buying Fairfax while foreign ownership rules restrict News Corp's expansion ambitions in Australia.

Speaking in a televised interview to mark the relaunch of PBL's flagship magazine The Bulletin, Mr Packer claimed the internet was making the Federal government's stance on media regulation redundant. "I think the world changes and you can't just sit there in isolation," he said.

He said he expected both sides of politics to eventually agree with him. This month the government asked the Productivity Commission to conduct an inquiry into the broadcasting laws to ensure competition among the country's television and radio groups.

At the time Peter Costello, Federal Treasurer, tried to play down the significance of the inquiry saying it "does not signal any change to the government's media policies".

Responding to Mr Packer's comments yesterday Mr Costello said policy was not driven by Mr Packer's "commercial interests" but by national interests.

Lazard Asia to buy HK publishing group

By Rahul Jacob in Hong Kong

Lazard Asia Investment Management is acquiring Sing Tao, the Hong Kong listed publishing company owned by Sally Aw, Lazard announced on Tuesday.

A subsidiary of Lazard Asia's will purchase about 50 per cent of the shares of Sing Tao for HK$1.25 a share.

Lazard and Miss Aw were on the verge of concluding a deal in December, when Miss Aw abruptly withdrew by failing to attend the signing of Lazard's proposal.

Days later she entered into a transaction with China Enterprise Development Fund, a Dublin-listed fund. In February, a Hong Kong court refused to give its approval for the deal.

The judge described the Lazard offer then as "infinitely more advantageous" for Miss Aw's unsecured creditors and the minority shareholders of Sing Tao.

Miss Aw is then believed to have sought to sell her shares to another group of buyers, but the deal did not go through either because of Hong Kong Securities and Futures Commission regulations.

The SFC requires that a purchase of more than 35 per cent of a company's shares must include a general offer for the remaining shares.

Lazard said it would launch a general offer for all the remaining shares of Sing Tao at HK$1.25 after it has purchased 47 per cent of the company from banks who are secured creditors of Miss Aw and 3 per cent from companies controlled by her.

In January, bankruptcy petitions were filed against Miss Aw by Ho Ying-chie, chief executive of Hong Kong Tobacco, who said he had lent her HK$270m ($34.8m).

There was a further twist because Miss Aw has been at the centre of a controversy after the Hong Kong government prosecuted three of her employees for inflating circulation figures of one of the papers she owned, the Hong Kong Standard. The government said it did not have enough evidence to prosecute Miss Aw.

Elsie Leung, the justice secretary, said an additional consideration was that it would not have been in the public interest since Miss Aw's staff might have lost their jobs as a result. That argument prompted severe criticism of the justice secretary, including a vote of no-confidence in the local legislature, which was defeated.

Arab banks approach the crossroads

Falling margins in an insular market prompt look at foreign fields, writes **Roula Khalaf**

Rhetoric about pan-Arab unity and the vision of an Arab economy has never produced more than a faint hint of economic integration in the Middle East.

And in banking there is only one bank in the region which can truly be called pan-Arabic – the Jordan-based Arab Bank, which is of Palestinian origin.

But even this region, which has tried hard to insulate itself from the trends sweeping the world, cannot remain isolated. As banking margins come under pressure, business opportunities shrink in the Gulf and increased competition takes hold in the more diversified economies. Consolidation, cross-border expansion and thus mergers and acquisitions are now the centre of debate in Arab circles.

Although the merger wave in Europe and the US can not yet be said to have reached the Middle East, there are signs that it might.

"Total assets in Arab banks were put at $410bn in 1997, equal to the size of one US regional bank, precisely the kind of bank that is told it is too small to survive in today's turbulent markets," writes Henry Azzam, chief economist at Middle East Capital Group, an investment bank trying to service the whole region.

"We are not living in our own oasis. Domestic markets are small and open to foreign competition. So it is better to be strong and consolidating than losing market share."

There are many disincentives to consolidation. In most of the region's markets banking has traditionally carried a prestige that overrides any economic rationale.

In some countries, families started banks to fund their other businesses and gradually turned the institution into a family jewel. "Many banks prefer to be a big fish in a small pond," notes Gordon Scott, analyst at rating agency Fitch IBCA.

Banking has been an easy, profitable business, feeding in many cases on government contracts and privileged political connections. This has encouraged complacency.

Moreover, with often stringent labour laws that differ from country to country and varying regulatory environments, reaping the fruits of cross-border consolidation through cost-cutting is far less promising than in the West.

But Middle East banking is at a crossroads. Analysts predict that strong banks will increasingly look to the region for opportunity and at cross-border transactions to boost their profits.

While some will take advantage of last year's decision by the Gulf Cooperation Council (GCC) – Saudi Arabia, Oman, the United Arab Emirates, Bahrain, Qatar and Kuwait – to allow banks to open branches in other GCC countries, others will be looking for strategic alliances or taking stakes in banks in neighbouring countries.

Andrew Cunningham, senior analyst at Moody's, says that one valuable basis for consolidation could be between banks in countries needing technology, such as Egypt or Tunisia, and banking systems such as the Saudi one which has reached high levels of sophistication.

So far, the role model for regional wholesale banking is Gulf International Bank (GIB), based in Bahrain. With significant activity in loan syndication across the Gulf, it decided at the end of last year to acquire the London-based Saudi International Bank.

One of the main examples of consolidation, the deal is expected to open new Arab markets for the bank and take it into corporate finance and fund management.

Analysts also expect GIB to be the first bank to enter other Gulf markets, as it is believed to be seeking a license to start a branch in Saudi Arabia.

Other cross-border deals in the past two years - where Gulf institutions have taken stakes in banks in more diversified economies – include Emirates Bank International acquiring 10 per cent of Bank of Beirut and Bin Mahfouz Group, the largest shareholders in NCB, buying Credit Libanais and 16 per cent of Jordan's Housing Bank.

As banks continue to contemplate cross-border deals, some merger activity is already taking place within domestic markets.

The deal that is grabbing the most attention is in Saudi Arabia, the biggest banking market in the region. United Saudi Bank – 30 per cent owned by Prince Walid bin Talal and created through the merger of United Saudi Commercial Bank and Saudi Cairo Bank - is in preliminary merger talks with Saudi American Bank (Samba), 30 per cent owned by Citibank.

The combined entity, which plans to retain the Samba name, will have a total market capitalisation of $5.6bn.

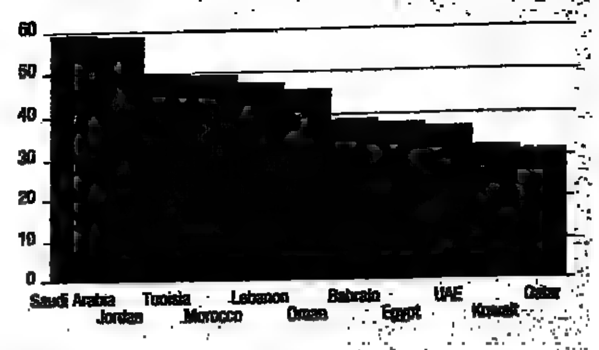
Elsewhere in the region, the overbanked Lebanese market – with nearly 80 institutions – has seen the most mergers and acquisition activity, driven by encouragement from the central bank.

The recently announced plan by Banque Byblos to merge with Banque Libanaise pour le Commerce creates the biggest market capitalisation in the industry ($840m) and is likely to speed up other banks' search for merger partners.

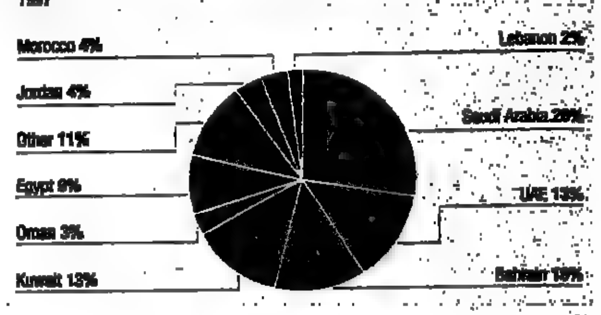
London-based Blakeney Management says Lebanon could see 20 or 30 more mergers. "No one admits it but there is also a not so discreet race to be number one."

However not all proposed mergers in the region have met with enthusiasm from investors. Mr Cunningham says banks will have to prove that bigger is better. "The question is: Do you have to be big or is it better to be a medium sized bank that is good at what it does? Being big for big's sake is usually a bad idea."

Cost to income ratio for leading banks
Selected Mideast markets, % (1997)



Capital distribution by country for top 100 Arab banks
1997



Source: Nomura Equity Research

NORWEGIAN BANKING

Law change urged to block foreign bidders

By Valeria Sköld in Oslo

The Norwegian Bankers' Association yesterday called for speedy changes to the country's financial regulations to defend its banking industry from foreign takeovers as consolidation sweeps European banks.

The call came a day after Den norske Bank, Norway's largest bank, announced plans for a NKr4.5bn ($582m) takeover of Postbanken, a state-owned bank.

Bjarne Borgersen, chief executive of Fokus Bank – which is in the process of being taken over by Den Danske Bank, Denmark's largest – outlined a "wish list" to Norway's political and financial industry elite.

"We don't feel the authorities or parliament are fully aware of how fast it [consolidation] is going. In a way, they [the authorities] are negative to the consolidation process in Norway."

Mr Borgersen called on the government to abandon a 7 per cent capital requirement, under which Norwegian banks have to set aside reserves for capital adequacy purposes.

He said the system should be replaced by a more liberal regime as practiced by most European countries. He also said banks should be allowed access to new capital through tier one instruments, such as commercial paper.

Mr Borgersen proposed the establishment of a commission, similar to a Swedish initiative by Bengt Dennis, a previous Swedish central bank governor, to identify measures to sharpen the financial industry's competitive edge. The aim is to have the Norwegian changes in place by 2000.

Lars Gunnar Lie, leader of the parliamentary finance committee, said the government was open to Mr Borgersens suggestions. Mr Borgersen also proposed speeding up a bank commission proposal that changes the ownership ceiling in Norwegian banks from 10 per cent to 30 per cent, so that the law takes effect within two years. The 10 per cent restriction makes it harder to acquire Norwegian banks and has resulted in making Norway one of the most fragmented banking sectors, he said.

Under Tuesday's deal, the enlarged Den norske Bank, which has assets of NKr315bn, will build on DnB's leading position in Norway, giving a domestic market share of 21 per cent and 15 per cent in retail and corporate banking.

Postbanken initiated exploratory talks with DnB after Christmas, following unsuccessful efforts last year to merge with Christiania Bank, Norway's second largest, and Fokus Bank.

Ulead Systems lists on Taiwan's OTC market

By Mure Dickie in Taipei

Ulead Systems yesterday became the first pure software company to be quoted on Taiwan's over-the-counter stock market, marking a vital step forward in the development of the island's nascent software industry.

Ulead was the first of at least three software companies expected to make public share issues in the next few months, ending the sector's virtual exclusion from capital markets that have played an important part in the rise of Taiwan's mighty electronics industry.

Government officials said there was now a trend toward easing listing requirements that favour companies with hefty tangible assets against those that rely on management skills and programming talent.

While Taiwan's software companies are tiny compared with their giant hardware cousins, analysts say greater access to capital, combined with the island's concentration of electronics expertise and enthusiastic government support, could spell spectacular growth for the sector.

Ulead, which saw revenues from its imaging applications and other products soar 40 per cent in 1998 to T$615m (US$18.6m), said yesterday's public issue of 10 per cent of existing shares in the company would clear the way for a T$60m issue of new shares in the next few months. Ulead is also considering applying to become the first software company on the Taiwan Stock Exchange.

Entrepreneurs said Taiwanese regulators' reluctance to approve software company listings was based partly on fears that employees could quit after any issue – fears that have been assuaged by special new rules.

Under the terms of its listing, big Ulead shareholders were restricted from selling their stakes in the company for twice as long as would be the case for a venture dealing in hardware, said Lotus Chen, company co-founder and senior vice president.

Andrea Lee, head of international affairs at the Securities & Futures Commission, said the restrictions were aimed at making up for software companies' lack of more substantial assets, but added that such barriers were likely to be lowered in the future.

Further OTE sale planned

By Kerin Hope in Athens

Greece's Socialist government plans to sell another 18 per cent of OTE, the public telecommunications operator, this year as part of a drive to increase privatisation revenues.

The sale may be split equally between a public offering, which would be placed with retail investors in Greece and international institutions, and a convertible bond issue. The government would receive all the proceeds.

"Depending on the size and timing of other international telecoms issues this year, a bond option could be attractive," said a senior Greek banker. "It would appeal to a different category of investor."

National Bank of Greece, the country's biggest banking group, and the investment banks Salomon Smith Barney and Credit Suisse First Boston acted as global co-ordinators for last year's offering and have advised OTE on investment issues.

OTE's share price has underperformed the Athens stock exchange index by 14 per cent over the past three months. Analysts said investors were concerned over lower than projected earnings in 1998, a sharp rise in operating costs, and continuing reports of differences between senior managers, following the sacking last December of George Chrysoluris, the chief executive.

The disposal would reduce the state's holding in OTE to 49 per cent, the ceiling set by the government for equity sales in utilities. Thirty-five per cent of the company has been sold in three public offerings and a private placement with international institutions.

The remaining 1 per cent would be made available to investors who kept their shares for 12 months after participating in last November's offering of 10 per cent of OTE.

The finance ministry wants to match last year's record of Dr1,100bn ($3.7bn) in privatisation revenues to significantly cut the public debt again this year. It also plans to sell equity stakes in Greece's two water utilities, and make another public offering of shares in Hellenic Petroleum, the state-controlled oil refining group.

The plug is pulled on the fast buck crowd

US power market is consolidating as back office operators fail to stay pace, writes **Hillary Durgin**

At the power trading desk on Enron's 31st floor, the Weather Channel's female anchor babbles from a TV monitor on mute during the station's non-stop, 24-hour weather coverage. She points to cartoons of snowfall in the north-east and sunshine in the south emblazoned on her large US weather map.

Thirty-something traders consult the screen, searching for clues to deals in any unusual weather patterns that can choke off energy supplies and send electricity prices skyrocketing. As they lean into their microphones to place million dollar bids to buy and sell power across the country, they glance at a wall of US maps, clocks and computer screens tracking on-line trading data.

Never has a simple weather forecast enjoyed so much clout on a financial market.

This is the trading hub of one of the largest merchants of natural gas and power in the country. As the US electric power industry undergoes deregulation, Enron is one of the hundreds of energy marketers, utilities, banks and others vying for stakes in a $300bn wholesale gas and power business that is rife with risk and rapidly consolidating.

Houston, headquarters to many of the natural gas marketing and pipeline companies that were the first to break into the power trading business, has become the epicentre for buying and selling power and other forms of unit of energy. Towering over one of Houston's downtown thoroughfares stand the buildings of some of the biggest names in the industry: Shell Oil, Dynegy, El Paso Energy and Reliant Energy, formerly Houston Industries.

Characterised by huge volatility and slim margins, the industry has lately become even more competitive as the tightly regulated industry undergoes liberalisation. It is still reeling from price spikes that saw the cost of electricity go from $30 to $7,500 per megawatt hour in the Midwest last June. In a heat wave that sent temperatures soaring and left utilities scrambling for power, a few thinly capitalised merchants and their traders underestimated the volatility and failed to deliver power they had promised.

Certain regions suffered blackouts, and several large utilities, including LG&E Energy of Kentucky, reported steep financial losses, prompting them to get out of power trading altogether. Power Co of America, a large merchant, went bankrupt.

"We're beginning to see companies realise how much they've got invested in a business that doesn't appear to have any assets," says Wesley Colwell, a partner with consultant Arthur Andersen, referring to the scores of companies that set up as power marketers with not much more than a back office. "Unless you're willing to invest, to be patient, and to stand behind your people, it's not for [you]."

In the last weeks, there have been a series of billion-dollar electric and gas transactions as smaller companies forsake the competition to larger peers. The buyers want to increase their access to gas supplies, pipeline transportation and power generation capacity.

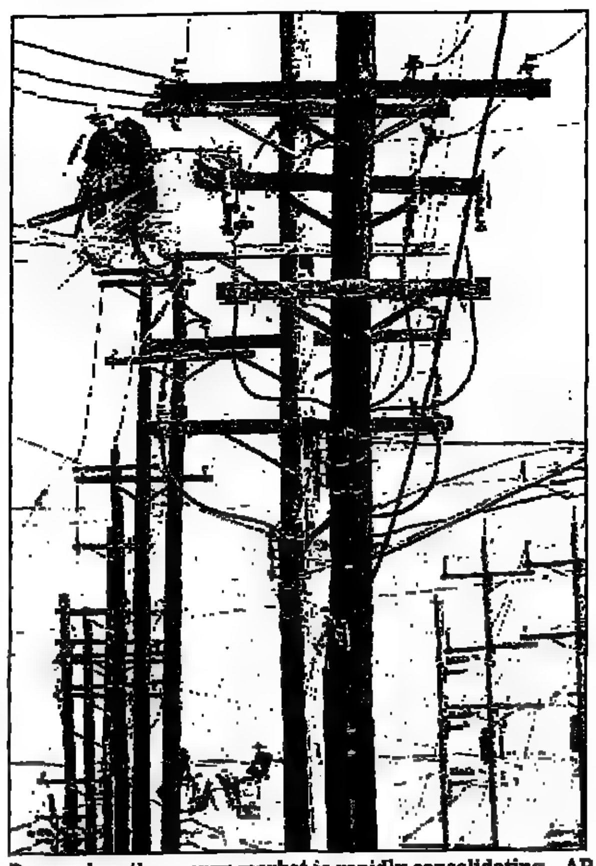
More assets give their traders a bigger platform from which to access energy supplies, particularly at times of market tightness, and to reach more customers.

El Paso Energy, for example, recently agreed to buy Sonat in a $3.9bn stock deal to create the largest transporter of natural gas in the US. And Reliant Energy, a Houston electric company which has invested heavily in US natural gas distribution, agreed to buy Una, a large Dutch power company, for about $2.4bn.

By having broader access to power, gas and coal in Europe, Reliant says it can better compete for new customers as Europe's power markets are liberalised.

"If you look at the players of the future, they're going to have to be huge," says Jeffrey Skilling, Enron's president and chief operating officer. "Over the next 10 years, consolidation will be intense and from a pool of about 140 investor-owned utilities and 25 pipeline companies, you'll probably end up having three or four extremely large wholesale merchants for gas and electricity on the continent," he adds.

While wholesale customers such as utilities and municipalities are fair game, the market to residential and small businesses is still restricted.



Power play: the energy market is rapidly consolidating AP

The endgame is to move power from regions where it is valued less to where it costs more. When a cold front moves across the country, Enron uses its network of pipelines, power plants and trading contacts to take surplus gas and power from some areas and deliver it to others in need.

Following last summer's debacle, however, the energy industry has undergone a serious round of self examination, calling for better financial controls and trading practices. Companies are analysing everything from their power plants to their traders' resumes in an effort to survive.

Enron's trading desk, executives are quick to point out, is not the typical cowboy operation of risk that cost some of its competitors. These traders are a mix of mathematicians, PHDs and ex-military personnel, and they emphasise that even amid extreme price volatility, they are not buying one second and selling the next to turn a wild profit.

"We're selling reliable delivery at reasonable prices," says Mr Skilling.

EXECUTIVE AWARDS EVEN WHERE COMPANY LINK-UPS PROVE DISASTROUS THE PACKAGES AT THE TOP SEEM TO GO ON RISING

CEO pay soars as mergers multiply

By Richard Waters in New York

Mergers may or may not be good for shareholders, but they are certainly good for chief executives.

That is one conclusion from a recent spate of executive pay awards big even by modern American standards. And shareholders seem powerless to do much about it.

Earlier this week, Bankers Trust revealed that Frank Newman, its chairman, had been guaranteed a salary and bonuses worth at least $11m a year until the end of 2003, following the merger with Deutsche Bank.

Including an extra $14m due to him because the US bank has agreed to be bought out, that will leave Mr Newman with a guaranteed $69m – even if the merger proves a disaster. Yet Mr Newman is hardly known for delivering a great return to shareholders: in its final year of independence, Bankers Trust posted a small loss.

"Frank Newman, to be most charitable about it, is a performance-challenged CEO," says Bud Crystal, a US executive pay expert.

Another bank chairman – David Coulter, the former head of BankAmerica – quit with a package valued at $105m after his institution's merger with NationsBank last summer. His departure came in the wake of big losses in last autumn's volatile financial markets.

And even when a merger goes disastrously wrong, it seems, chief executives can come out on top. Henry Silverman, chairman of Cendant, presided over one of the most spectacular corporate debacles of last year. The discovery of alleged accounting fraud at the former CUC, which merged with Mr Silverman's HFS to form Cendant, sent the company's stock plunging.

Yet all has now turned out well for him. In a controversial move, Cendant lowered the strike price on stock options issued after the share price had collapsed. The stock has since more than doubled from its low point – and Mr Silverman exercised options and sold stock worth $61m last year.

At the same time, mergers have had the effect of raising the overall level of top executive pay. When two companies combine, pay levels tend to "shift to the highest common denominator", says Ann Yerger, research director at the Council of Institutional Investors. She points to the case of Citigroup, where John Reed, former chairman of Citicorp, saw his pay jump from $4m to $9.5m last year to put him in the same league as Sandy Weill, former chairman of Travelers Group.

It is deals like those handed to Mr Newman, though, that have most antagonised shareholder groups.

"At the end of the day, the directors can cut deals like this and there's not a damned thing shareholders can do about it," said Jamie Heard, head of Proxy Monitor, which represents large institutional investors.

"Golden parachutes" and other benefits for chief executives who sold their companies were introduced in the early 1980s for a purpose, says Mr Crystal: they reduced the incentive to resist a takeover approach that would be in a company's interest. But the escalation of such awards may now have produced the opposite effect, he adds. "It's now turned all the way around to a point where companies are being bribed to agree to takeovers."

Frank Newman: Bankers Trust chairman guaranteed $69m Reuters

Pearson sues over lost Viacom deal

By William Lewis in New York

Pearson, the UK-based media company, is alleging that Hicks, Muse, Tate & Furst, the private equity group, reneged on a deal to pay Pearson $860m because the transaction no longer met its internal financial targets.

The allegation is contained in a lawsuit filed by Pearson, owner of the Financial Times, against Hicks Muse in a New York state court.

Last May Pearson agreed to pay $4.6bn to Viacom for its educational publishing business in an auction. Pearson says that it worked with Hicks Muse during the bidding process and that in July Hicks Muse agreed to acquire from it the US business, professional and reference publishing segments of the Simon & Schuster educational publishing division of Viacom for $860m.

However, in November Hicks Muse told Pearson that it was terminating their deal, citing a "material adverse effect". In the lawsuit Pearson claims that no material adverse effect had taken place, and that Hicks Muse pulled out because it was unable to finance the transaction.

Pearson is also alleging that Hicks Muse had "engaged in a regular practice of breaching its commitments to acquire businesses and reneging on transactions prior to closing even after signing a binding agreement when Hicks Muse's subsequent internal economic analysis reveals that a transaction may not meet its undisclosed investment policy".

The suit claims Hicks Muse's policy is to seek a gross rate of at least 30 per cent and either a tripling or a quadrupling of its capital.

Pearson says that in 1998 the private equity group breached three binding agreements, including the deal with Pearson, worth a total of $2.2bn.

Hicks Muse said: "We are familiar with the allegations in the Pearson suit. We have told them that the claims are without merit. We intend to defend them vigorously. We also believe we have valid claims against Pearson which we intend to assert."

Pearson declined to comment.

IBM in $3bn disc drive link with rival group

By Victoria Griffith in Boston and Louise Kehoe in San Francisco

EMC, the US computer data storage group, has agreed to buy $3bn in disk drives from rival International Business Machines in a five-year technology and business alliance.

The alliance highlights IBM's commitment to becoming a brand-name components provider. Earlier this month IBM formed a similar partnership to supply $16bn worth of semiconductor chips and other components to Dell Computer, the personal computer manufacturer, in the biggest technology alliance of its kind.

"This is an extension of IBM's Dell deal and shows the company is willing to work with competitors to leverage its leading edge technology," said Steven Milunovich, a computer analyst with Merrill Lynch.

"This deal potentially disadvantages IBM's own storage business, but the company's attitude is 'tough'. That's an underperforming division anyway for IBM."

However, IBM said it remained "resolutely committed" to the data storage business.

Lou Gerstner, IBM chairman and chief executive, sees component sales as one of the biggest areas of potential growth for IBM, enabling it to leverage its research and development spending to achieve incremental sales to other computer equipment manufacturers.

The latest sales agreement also signals EMC's growing power in the computer storage market.

"That IBM sees this as a way to substantially grow its disk drive business is acknowledgement that EMC is clearly the dominant player in storage now," said Amit Chopra, equity analyst at Credit Suisse First Boston.

The alliance assures EMC of an alternative disk drive supply to Seagate, from which the company now buys about 50 per cent of its disk drives. In the future, the agreement is likely to include other IBM technologies, such as microprocessors and advanced custom chips.

Third Brazil bank shuts doors

By John Barham in São Paulo

Yet another small Brazilian bank has closed its doors, the third since the Real crashed by 40 per cent in January. However, unlike the closure of its two predecessors, the closure of Banco Crefisul may signal the beginning of the end of a large and well-known local business group.

São Paulo-based Crefisul's largest shareholder is Ricardo Mansur, a self-made man and one of Brazil's most flamboyant entrepreneurs. He also owns the country's main retail chain, which went into sharp decline at the end of last year as unemployment and interest rates rose. However, financial market analysts worry that investors are hardly clamouring to buy Mr Mansur's crown jewel, Casa Anglo.

Most Brazilian banks and companies are well-capitalised and well-managed. They have managed to survive the devaluation with relative ease.

However, some weaker groups such as Casa Anglo, which owns two department store chains, have edged closer to the brink.

The central bank said it was winding up Crefisul, because its lingering liquidity crisis deteriorated as depositors avoided it due to its connection, through Mr Mansur, to Casa Anglo. Casa Anglo, which owns Mappin, a local department store chain, and its sister company Mesbla, has struggled to pay rents and suppliers on time.

Shares in Mesbla, which is listed on local stock exchanges, shot up last week as rumours swirled that Mr Mansur was in talks with potential foreign buyers. Names included Spain's leading department store chain El Corte Inglés, JC Penney of the US and the French retailer Printemps.

Brazil's retail industry began consolidating as the Real plan, launched in 1994, boosted incomes and opened access to middle and low income families to credit. Big US and European groups now control most of Brazil's biggest supermarkets.

JC Penney was the first foreign company to enter the local department store sector with its acquisition in January of Lojas Renner, a successful family-owned group based in southern Brazil.

In contrast, Casa Anglo has not published accounts for a year.

Its ownership structure is said to be a spider's web of interconnected companies ultimately controlled by Mr Mansur at the centre. It is choked by debts.

Piper Jaffray in Israel move

By Avi Machlis in Tel Aviv

US Bancorp Piper Jaffray, the US investment firm, yesterday sealed a strategic alliance with Nessuah Zannex, a Tel Aviv investment bank, in an effort to tap into Israel's technology and health care sectors.

Nessuah Zannex will be Piper Jaffray's representative in Tel Aviv and the two firms will launch a joint institutional sales operation in April in New York.

Bruce Aamoth, managing director of equity capital markets for Piper Jaffray, said plans for three Israeli IPOs on Nasdaq in New York were already under way – two worth $30m-$50m, the third "significantly larger".

Paul Grangaard, director of investment banking for the technology-oriented US group, said Israel's expertise in telecommunications, internet and enterprise software, provided "three good opportunities for us".

The agreement comes amid growing foreign interest in Israeli technology companies.

The value of mergers and acquisitions between Israeli companies and overseas groups has reached $1.1bn so far this year, compared with $2.13bn for all of 1998.

Several overseas investment banks, including Goldman Sachs and Lehman Brothers, operate in Israel through their own offices.

Minneapolis-based Piper Jaffray preferred the alliance with Nessuah Zannex, established in 1992 as one of the first local firms to service foreign investors.

"This is a low-cost way to serve our clients more efficiently in a highly competitive market," said Mr Aamoth.

Nessuah Zannex controls about 36 per cent of foreign investment on the Tel Aviv Stock Exchange, and has participated in 158 offerings since 1993.

Piper Jaffray was acquired last May by US Bancorp, the 11th largest retail brokerage in the US, which manages $76bn in assets.

NEWS DIGEST

COSMETICS

Revlon investors smack their lips over bid talk

Shares in Revlon, the cosmetics company which makes Color Stay 'won't-kiss-off' lipstick, have risen by about 45 per cent in two days on speculation of a possible bid from Unilever or Procter & Gamble. None of the companies would comment on the speculation.

Carla Casella and Steve Ruggiero, fixed income analysts at Chase Manhattan, said any bidder would have to pay almost $3.3bn in debt and equity to avoid a default on the holding company's bonds. Since 1986 Revlon has been controlled by MacAndrews & Forbes, the private holding company of Ron Perelman, the New York financier.

Revlon would be more attractive to Unilever strategically, analysts said, as the owner of Elizabeth Arden and Calvin Klein cosmetics is strong in skincare but lacks a presence in the colour cosmetics market. However, Mr Ruggiero said: "It would make more financial sense for Procter & Gamble." **Andrew Edgecliffe-Johnson, New York**

AUTOMOTIVE PARTS

Mergers to continue, says PwC

Consolidation of automotive parts suppliers should continue for "several more years", with the number of "tier 1" suppliers falling from about 1,500 in 1998 to about 600, according to a study from PwC, the accountancy and consultancy firm.

The prediction comes amid intense consolidation in the automotive industry. The survey calculates that there were 620 deals worldwide last year, with 320 involving parts suppliers. The value was put at $30.3bn. The survey suggests that continued consolidation among parts suppliers will be driven by the trend towards "modular assembly" – under which parts suppliers co-ordinate the production of much larger units in the final vehicle – and the desire by automakers themselves to shift the design and manufacture of large systems to their suppliers.

The survey says transactions among dealers slowed last year. But it claims that "the dealer sector . . . remains ripe for transformation", in the face of new technologies, such as internet-based car buying. It estimates that there are potential savings of about $35bn to be wrung out of the current dealer system in Europe alone.
Nikki Tait, Chicago

CELLULAR PHONES

Spanish group expands

Telefónica Internacional, the global arm of the Spanish telecommunications company, has continued its expansion into Central America's mobile telephone market with the award of a cellular phone licence in Guatemala. Bidding through a local subsidiary, the company agreed in Tuesday's auction to pay almost 295m quetzals ($42m) for the right to the "B band" digital PCS bandwidth and another frequency. Telefónica will compete with two other mobile phone operators and will have national coverage.

Juan Rovira, executive vice president of Telefónica Internacional USA, said the company expected to invest an initial $100m. It also plans to offer long-distance and data transmission services. **James Wilson, Panama City**

Medcast reveals PC for doctors

By Betty Liu in Atlanta

Medcast Networks, owned by Atlanta-based Greenberg News Network, yesterday unveiled a computer designed specifically for doctors, incorporating a system that customises and downloads medical information off the internet and on to a hard drive.

Alan Greenberg, Medcast chairman, believes he can lure thousands of physicians onto the internet and spearhead the healthcare industry's growth online.

Medcast's editorial team, which includes former senior staff from CNN, as well as physicians, filters news from journals, medical conferences and wire reports so that only information relevant to the doctor's field will appear.

Mr Greenberg likens the ease of use of his machines to those Michael Bloomberg created for the financial services industry.

Already the company has tested the system on 1,000 doctors and installed 100 salespeople in 65 cities across the US.

The potential market is huge, Mr Greenberg says. Eighty per cent of the 700,000 or so practising physicians in the US do not have a computer in their offices and even fewer have internet access. He declines to make financial projections for the company.

Plans are under way for an initial public offering later in the year to help fund the company's expansion, according to Rusty French, a general partner at Noro-Moseley Partners, one of the investors of Medcast.

Medcast has a rival in WebMD, another Atlanta-based online medical information provider which has already formed alliances with America Online, Lycos and even CNN.

The company plans to raise $55m later this year through a share offering. WebMD is decribed as a portal where users can obtain medical information and physician services in one stop.

COMPANIES & FINANCE: ASIA-PACIFIC

FINANCIAL SERVICES NEW JAPAN AND WAKO SECURITIES TO CREATE Y120BN COMPANY

Japanese brokerages in merger deal

By Naoko Nakamae in Tokyo

New Japan Securities and Wako Securities, two second-tier Japanese brokerages, yesterday announced they would merge on April 1.

The merger will create the country's fourth largest securities house after Nomura, Daiwa and Nikko.

The combined company will be capitalised at about Y120bn ($1.02bn), with assets of more than Y1,800bn.

The merger is particularly significant because both companies are affiliates of the Industrial Bank of Japan which, along with its brokerage arm, IBJ Securities, plans to take a combined stake of 25 per cent in the new company. IBJ will hold 20 per cent, and IBJ Securities 5 per cent.

IBJ yesterday said the merger would strengthen the IBJ group's competitive position, with IBJ Securities concentrating on wholesale clients and the new company focusing on middle-tier retail clients.

"As [its] main bank, we will fully support the new company," it said.

Meanwhile, both New Japan and Wako said they planned to withdraw from their overseas operations.

Tadashi Kawaguchi, president of New Japan, will become president of the merged entity, while Masaaki Sugishita, Wako president, will take the post of chairman.

The Japanese securities industry faces an increasing competitive environment as Big Bang reforms continue to be rolled out.

In particular, the liberalisation of equity commissions in October is expected to inflict considerable damage on small and medium sized brokers which depend heavily on such revenue.

"It's time for consolidation," said Paul Heaton, analyst at Deutsche Bank in Tokyo.

"There are 23 listed securities companies in Japan – there are just too many brokers."

Wako Securities also warned that it would post an extraordinary loss of Y33.7bn to aid its subsidiary Wako Finance in the disposal of bad loans by March 2000.

It added that it was in the process of applying for subordinated loans totalling some Y35bn, in order to boost its capital base.

Both New Japan and Wako saw their shares fall sharply before the Tokyo Stock Exchange suspended trading in the two companies' shares ahead of the announcement. New Japan fell 7.02 per cent, or Y20, to Y265 and Wako dropped 6.98 per cent, or Y21, to Y280.

Fuji Photo stock hit by warning

By Alexandra Nusbaum in Tokyo

Shares in Fuji Photo Film, Japan's largest manufacturer of photographic materials, plunged 10.3 per cent to Y4,370 yesterday on news that the company would post lower than expected net profits.

The Asian economic crisis and currency devaluation in Russia and Brazil are expected to push consolidated net income down by about 20 per cent, said the company.

Net income, previously forecast at Y92bn ($780m), could fall as low as Y70bn for the year ending March 31, according to analysts. Last year, Fuji Photo reported consolidated net income of Y88.8bn.

Meanwhile, the company noted that strong sales of consumer film and colour paper in the US and Europe could push revenue up by 2 per cent from Y1,378bn last year to Y1,410bn this year.

"The net profit warning came as a surprise, but there has been no change in the company's fundamentals," said Hiroshi Okubo, analyst at Warburg Dillon Read.

Three factors have depressed Fuji Photo's estimated net profit, according to Mr Okubo: these were lower than expected earnings at Fuji Photo's 50 per cent owned affiliate, Fuji Xerox; a devaluation of the Brazilian film subsidiary; and a devaluation of deferred tax assets.

Yesterday's drop in share price follows a 25 per cent rise from Y4,080 on January 4 to Y5,110 on March 19, on the back of a depreciating yen. A weaker yen benefits Fuji Photo where exports accounted for over 50 per cent of sales, as of September 1998.

Life insurers set to boost capital base

Industry faces tough measures to ensure it improves its financial position

By Naoko Nakamae in Tokyo

A number of Japan's life insurers are to apply for a total of more than Y500bn ($4.24bn) in subordinated loans and bonds in order to boost their capital bases by the end of the month.

These moves reflect the mounting pressure on the life insurance industry to improve its financial health ahead of the new fiscal year in April, when the Financial Supervisory Agency will be toughening its stance on weak life insurance companies.

The FSA will require companies with solvency margins – a key indicator of financial health – of less than 200 per cent to adopt "prompt corrective action measures" to improve their business.

The life insurance industry has suffered badly from recent slumps in the Japanese stock and property markets, falling long-term interest rates and the appreciation of the yen.

The sector, which controls some Y190,000bn of assets, also faces increasing liquidity problems as policy cancellations rise.

Sumitomo Life, the third largest life insurer, has already raised Y170bn in subordinated loans from the Sumitomo group ahead of the fiscal year-end next week.

Its solvency margin at the end of March 1998 was 526.2 per cent, compared with the industry average of 680.9 per cent.

Chiyoda Life plans to raise Y50bn of subordinated loans from several institutions, such as Tokai Bank, as well as Y20bn from the sale of subordinated bonds to more than 20 companies.

With a solvency margin of 314.2 per cent it was one of the worst performers in the sector.

Daiichi Mutual, Japan's second largest life insurer, also said it had issued Y100bn of subordinated loans to its business partner, the Industrial Bank of Japan. And among other big life insurance companies, Yasuda Mutual plans to issue over Y100bn, and Asahi Mutual over Y50bn, while Mitsui Mutual has already issued Y50bn in the first half of the fiscal year.

Daiichi's solvency margin was 632.1 per cent, while Yasuda's was 648.1 per cent, Asahi's 654.8 per cent and Mitsui's 491.6 per cent.

But some industry observers were critical of the rush to issue subordinated debt. "Many of these companies are 'buying' an improvement in their solvency margins", said one.

"The Ministry of Finance allowed subordinated debt to be included in the 'solvency surplus' used to calculate solvency margins in 1997. So (by issuing subordinated debt), these companies will improve that one number. But interest payments on such loans are typically over 3 per cent, and their negative yield situation will worsen."

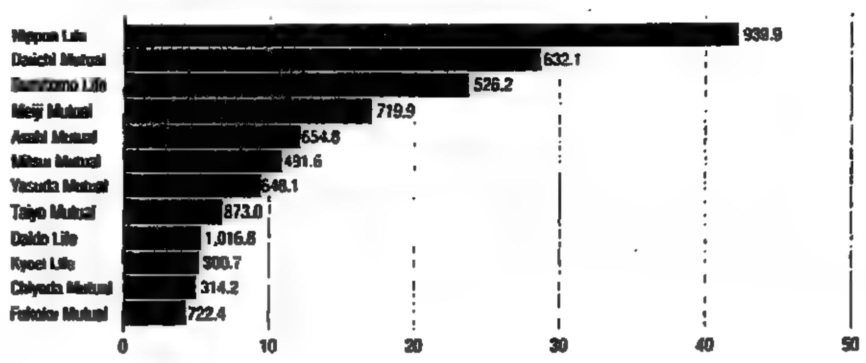
Others were more optimistic. "Interest costs will go up, but their capital position will improve," said Robert Garone, insurance analyst at Dresdner Kleinwort Benson in Tokyo.

"(Many) are going to move so that their solvency margins don't set them in a very weak light relative to their competitors."

But Nippon Life, the largest life insurance company in the world, yesterday said that it would not issue any subordinated debt.

Its solvency margin was 939.9 per cent last year. Meiji Mutual, whose solvency margin was 719.9 per cent, also said it had decided against issuing subordinated debt, "if it looks as though stock market and currency levels will remain at current levels until the fiscal year end".

Assets of major Japanese Life assurers
(Y'000bn) Figure at end of bar is solvency ratio (%)



Source: Insurance Research Institute

Komatsu to put $190m into wafer arm

By Alexandra Harney in Tokyo

Komatsu, Japan's leading construction machinery maker, is to inject $190m worth of new capital into its US silicon wafer business in a last attempt to revive profitability at the loss-making subsidiary.

The capital injection into Komatsu Silicon America, by far the company's most drastic move yet to rescue its ailing electronics business, would be used to reduce the unit's estimated $280m liabilities, the company said.

It also suggests that Komatsu, which expects its electronics business to record its first loss since 1994 this year, has decided to remain in the volatile semiconductor market for the time being.

Analysts said electronics were weighing heavily on profitability because of the collapse in semiconductor prices, which came on top of the downturn in construction machinery that is already hurting earnings.

Last month, Moody's, the US credit rating agency, said it had lowered its outlook for the company from stable to negative because of concerns about the electronics division.

Komatsu said the move would increase KSA's capital from $160m to $350m as of this month. These losses were mainly from the suspension of operations at a silicon wafer factory in Oregon, one of the company's three semiconductor plants.

However, the company said it would continue to ship wafers from its plant in Japan for sale in the US and it had no plans to withdraw. The move would be funded by corporate bonds.

The capital injection is the latest of a series of initiatives launched by Satoru Anzaki, Komatsu president, aimed at turning the semiconductor business around.

The group has moved to acquire KSA and trim costs, in what analysts said was an attempt to gain closer control over the unit's finances.

There has also been speculation that these stop-gap measures were part of the group's efforts to package the unit for sale.

Mr Anzaki said in a recent interview that he might consider selling the business, but that he had given it 18 months to recover. Analysts warned that this could prove to be a risky strategy.

"They are putting the decision off and filling in holes, rather than building a foundation," said Jeremy Kloiser-Jones, analyst at Nikko Salomon Smith Barney.

He added that taking on additional debt to fund the capital increase would also increase Komatsu's leverage. Last month, Komatsu warned that consolidated net losses would balloon to Y13bn ($110m) on sales of Y1,060bn in the year to this March.

NEWS DIGEST

INTERNET SALES

Softbank and Yahoo! Japan agree joint car venture

Japan's Softbank said yesterday it had agreed with Microsoft and Yahoo! Japan to set up a joint venture for internet-based car sales in Japan.

The new company, to be called CarPoint Japan KK, will be capitalised at Y840m ($7m) and is scheduled to be established in April. Softbank will take a 50 per cent stake in the venture, while Microsoft will contribute 40 per cent and Yahoo! Japan 10 per cent.

The joint venture will be the Japanese version of Microsoft's MSN CarPoint, which generates $450m in car sales each month. **AP-DJ, Tokyo**

Amazon.com signs book deal

The internet bookseller Amazon.com signed a deal with Samsung yesterday to sell books in South Korea without charging high shipping costs, Samsung said. The contract allows Seattle-based Amazon.com to use Samsung's internet shopping web site to sell its books, music and other wares in South Korea, beginning on Thursday.

Until now, South Koreans have had to pay shipping charges to buy Amazon.com books, transported individually from the US. Under the deal with Samsung, Amazon.com will ship books in large quantities to South Korea, eliminating most of the costs individual shoppers must pay.

Shipping costs have been a hurdle for Amazon.com's efforts to expand sales in South Korea and other countries. **APDJ, Seoul**

MORTGAGE FINANCE

Nikko to book Y13bn charge

Nikko Securities is to book an extraordinary loss of Y13.3bn ($113m) in financial aid to its mortgage finance unit, Kyodo Mortgage Securities. The company said the extraordinary loss would not affect its year-to-March earnings forecast.

Separately, Nikko is to liquidate its real estate unit, Nikko Fudosan, which has capital of Y500m, in September, as part of group restructuring. It said it would set aside provisions of Y5.8bn to write off its outstanding loans to this unit, and wouldalso extend funds of Y6bn to assist in Nikko Credit's rehabilitation. **AFX-Asia, Tokyo**

STEELMAKING

Posco plant shut by explosion

Pohang Iron & Steel Company (Posco), the South Korean steel group, said yesterday that operations at one of its six cold-rolled steel plants had been halted since late on Tuesday because of a minor explosion. One employee was slightly injured. The plant has an annual production capacity of 1.1m tonnes. Posco expects the plant to resume operations in two to three weeks. **AP-DJ, Seoul**

INVESTMENT TRUSTS

Dai-Ichi, Morgan form company

Dai-Ichi Kangyo Bank and J.P. Morgan said yesterday that they had signed an agreement to form an equally owned investment trust joint venture.

The new company, Dai-Ichi Kangyo J.P. Morgan Investment Management, capitalised at Y3bn ($25m) and equally owned by J.P. Morgan Investment Management and DKB's asset management unit, Dai-Ichi Kangyo Asahi Asset Management, will start business in Japan in May.

The companies said George Gatch, J.P. Morgan managing director, would be chief executive of the new company and DKB's Michio Yuge would become its chief operating officer. **Reuters, Tokyo**

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0330	22.85	25.06	25.08	0.80
0400	9.29	24.40	24.43	0.80
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1130	40.16	63.24	63.27	0.80
1200	40.21	48.16	48.19	0.80
1230	40.21	67.87	67.90	0.80
1300	40.19	52.81	52.84	0.80
1330	25.55	43.08	43.11	0.80
1400	25.55	43.08	43.11	0.80
1430	25.54	43.08	43.11	0.80
1500	25.53	43.08	43.11	0.80
1530	23.52	43.08	43.11	0.80
1600	25.81	43.08	43.11	0.80
1630	26.03	46.20	46.23	0.80
1700	32.62	47.77	47.81	0.80
1730	34.90	49.95	50.08	0.80
1800	34.89	53.80	63.94	0.80
1830	42.09	61.58	61.75	0.80
1900	55.84	61.48	61.61	0.80
1930	55.74	61.30	61.38	0.80
2000	69.74	57.38	57.42	0.80
2030	29.29	47.93	47.96	0.80
2100	20.11	47.93	47.96	0.80
2130	19.62	31.14	31.17	0.80
2200	19.27	28.86	28.88	0.80
2230	23.28	25.65	25.88	0.80
2300	23.26	20.55	20.58	0.80
2330	23.25	20.55	20.58	0.80
2400	9.31	12.06	12.06	0.00

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COMPANIES & FINANCE: UK

One-2-One may be put up for sale

By Christopher Price and Alan Cane in London and Ralph Atkins in Bonn

Cable and Wireless and MediaOne yesterday confirmed they were considering either the sale or a public offering in One-2-One, the UK's fourth biggest mobile phone company.

The move sparked a flurry of activity among City analysts over the valuation of the lossmaking business, with the range extending from £6.6bn to £11bn ($11bn-$18bn).

C&W, the UK's second largest telecommunications group, said it was launching the strategic review of the business in order to maximise shareholder value.

The move was prompted by the acquisition by Comcast of MediaOne, the US communications group, on Monday and the subsequent decision to sell MediaOne's investments in wireless communications.

The huge differences in valuation on the business reflect different calculations of how quickly One-2-One will grow, and become profitable. Most are clustered around £8.5bn. In the year to March 31, 1998, One-2-One made operating losses of £126m on sales of £548m. Most analysts are forecasting it will move into profit within two years.

Launched in 1993, One-2-One has 2.1m subscribers out of a total UK mobile market of 14.2m. It is the fastest growing network, helped by the advent of prepaid mobile phones.

The biggest operator is Vodafone, followed by Cellnet and Orange.

Lehman Brothers, which is advising MediaOne, said it hoped to sell One-2One outright, with the public offering being an avenue in the event of there not being sufficient interest.

C&W is advised by Merrill Lynch. The US investment bank said preparations for a public offering would begin immediately in case any sale fell through.

But analysts said there would be considerable interest in acquiring One-2-One. The opportunity to buy one of just four mobile licences would be enormously inviting, particularly for foreign telecoms groups looking to enter the UK market.

Deutsche Telekom and Mannesmann of Germany have both been seen as potential bidders. Last week, Ron Sommer, Deutsche Telekom chairman, identified the UK as a particular focus of attention, saying its small inroad into the country was "not a position where we can be satisfied and relax".

Lex, Page 16

Next beats forecasts following 'hiccup'

By Peggy Hollinger

Next, the fashion retailer which fell from favour last year following a surprise profits warning, yesterday signalled it was back on track. It announced a sharp improvement in current trading and annual profits above expectations.

David Jones, chief executive, described the past year as "a period of history, after 14 successful seasons, when we hiccuped". However, the group was showing "a good recovery."

Next unveiled pre-tax profits of £166.9m ($272m), down from £184m last time. Sales rose from £1.18bn to £1.24bn for the year to January 30.

Mr Jones said 1998-99 had been "a year of two halves". Sales in the stores moving from flat in the first half and risen 10 per cent in the second. *Like-for-like sales for* the year were 5 per cent down, while turnover through the Directory was 2 per cent lower.

In the first seven weeks of this year, like-for-like high street sales rose 16 per cent and mail order 5 per cent.

However, he warned against over-optimism on the back of the reported figures. "I think the environment is going to continue to be difficult," he said.

Alliance UniChem to expand

Jeff Harris: will not make hostile bids David Ahmed

By Lucy Smy

Alliance UniChem, Europe's second largest pharmaceutical wholesaler, claimed yesterday it was well on the way to ousting Gehe of Germany as market leader with plans for expansion across the Continent.

However, Jeff Harris, chief executive, ruled out expanding into Germany or Scandinavia through hostile bids. Expansion there would be achieved through mergers or joint ventures, he said.

The group already has a 9 per cent stake in Anzag, one of Germany's largest domestic wholesalers.

Alliance UniChem, formed by the merger in 1997 of UniChem in the UK and Alliance Sante, a Luxembourg-based business, already has 38 per cent of the UK pharmaceutical wholesaling market, 30 per cent of the French and 25 per cent in Italy.

It also has operations in Portugal, Spain, Greece and Morocco.

The group also owns the Moss Chemists retail chain in the UK and now hopes to establish a retailing presence across the Continent.

Alliance made 1998 pre-tax profits of £110.1m ($179.5m) after £80m of acquisitions. The profits figure compared with £59.2m from UniChem alone in 1997 and pro-forma pre-exceptional profits of £95.9m including Alliance Sante. Turnover leapt from £1.71bn to £5.35bn (£4.8bn pro-forma) and operating profit grew from £66.4m (£127.8m) to £132.8m.

Mr Harris said the biggest challenge for the group would continue to be the pressure from national governments to keep down the cost of medicines.

Growth in free net service providers

By Christopher Price

The upheaval in the UK internet service provider market was underlined yesterday with the launch of five free access services, putting further pressure on providers that charge subscribers.

WH Smith, the books and stationery retailer, said it was teaming with Microsoft, the US software group, and British Telecommunications to develop a free "portal", or gateway, to the internet.

Portals offer services such as electronic commerce, banking, stock trading and news to capture users' attention for as long as possible. The longer visitors stay on the site, the more the owners can charge advertisers.

Richard Handover, WH Smith chief executive, said: "This venture will not be limited to simply selling books, music and video on the internet. It will form the basis of a much broader, more innovative and powerful offering."

The ISP market was changed in September when Dixons, the electrical retailer, launched Freeserve, the first free mass-market ISP. In its first six months it attracted more than 1m users, forcing a growing number of paid-for ISPs to abandon subscriptions.

Yahoo!, the US search engine group, said its UK and Irish web guide would shortly begin offering free internet access. Yahoo! Egg, the Prudential's new banking service, also launched a free ISP yesterday, as did The Electronics Boutique, the computer games retailer, in partnership with Scottish Telecom.

Freewire, an ISP, said it would begin offering a free service in response to the changing market conditions.

Diageo to sell Spanish brewer

By John Willman in London and Andrew Edgecliffe-Johnson in New York

Diageo, the food and drink group, has put Cruzcampo, its Spanish brewing subsidiary, up for sale – a move likely to attract interest from several international brewing groups.

Cruzcampo could fetch more than £400m, above the £325m goodwill on Diageo's balance sheet, but well below the 1990 purchase price of Ptas98bn (then worth £533m).

Goldman Sachs, the investment bank, has been appointed to handle the auction of Spain's largest brewer. Last year it had sales of Ptas65bn (£265m), 26 per cent of the Spanish market.

Analysts believe the most likely buyer is Heineken, the Dutch brewing group that already owns El Aguila, Spain's second largest brewer, with 17 per cent of the market. Heineken prefers to own stakes of more than 30 per cent in its key markets and has said repeatedly it wants a larger share in Spain.

Other interested brewers could include Carlsberg, the Danish group that licenses Cruzcampo to brew its lager in Spain, and might be reluctant to see its distribution in the hands of a competitor.

Diageo is understood to have put Cruzcampo on the market after expressions of interest from Heineken and others.

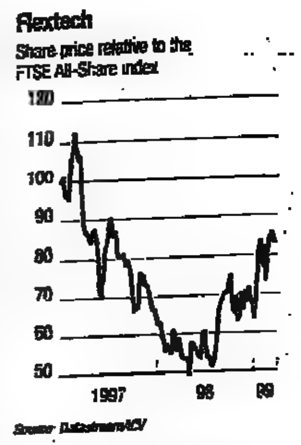
A sale of Cruzcampo would bring to an end a saga that began when Guinness – which merged with Grand Metropolitan in 1997 to form Diageo – bought the Spanish brewer in 1990.

Guinness bought Cruzcampo to lessen its dependence on its trademark stout.

Today it is refocusing on the stout, which has become one of the few global beer brands and one of the most profitable parts of the Diageo portfolio.

COMMENT

Flextech



Source: Datastream/ICV

Those who waited to gauge the success of digital television's launch before buying into Flextech must rue their caution. As the biggest packager of pay television channels after British Sky Broadcasting, Flextech's future is highly geared to digital subscriber growth. BSkyB's revelation that a remarkable 42 per cent of its January sales were new subscribers, not just migrating analogue ones, rewarded the digerati faithful. Flextech has been a major beneficiary of the new multi-channel world's success. Since the start of the year its shares have outperformed by nearly 30 per cent.

After the death of Roger Luard, its charismatic chief executive, and a regulatory ruling against channel bundling, the fear was that Flextech would be squeezed by customers and suppliers. Far from it. Its wholly owned channels, such as Living and Bravo, increased their viewing share by 17 per cent and raised advertising sales by 45 per cent. Had it not been for start-up losses at its promising joint ventures with the BBC, Flextech would have entered the black in 1998.

The question now is whether Flextech can leverage its mass audience share in the e-commerce world. Competition from BSkyB's Open will be strong. But the market is still in its infancy. For Flextech to stretch its brands over interactive television and the internet makes a lot of sense. The group should be rewarded for making it such a clear priority.

Stanley/Capital

At last someone has done the decent thing and offered to put Capital Corporation, the London casino operator, out of its misery. Since the start of 1998 it has lagged behind the market by over 60 per cent. Valued by London Clubs' contested share bid at around £178m in February 1997, it now stands to be snapped up by betting shop operator Stanley Leisure for a mere £81m. Stanley's timing looks excellent. Capital is suffering from an unprecedented combination of reduced demand from high rollers, stiffer gaming duty and increased supply from new licences. But as the owner of three London licences, including the ultra upmarket Crockfords, it must be going for a song at barely more than book value and 11 times 2000 forecast earnings. Capital shareholders should push the price up or take advantage of Stanley's partial share alternative.

NEWS DIGEST

MEDIA

Flextech looking to acquire new TV channels

Flextech, the pay-television company, yesterday signalled its willingness to expand by acquiring new television channels as it disclosed robust turnover growth driven by the launch of digital services.

Adam Singer, chairman, said small channels would be "attracted by our gravitational pull as the largest independent channel provider". Flextech has 14 channels, including its UKTV joint venture with the BBC. He would not rule out an acquisition of Live TV, the cable channel owned by Mirror Group which is expected to lose about £4.5m this year.

Mr Singer would not comment on whether Flextech was willing to sell its 18.6 per cent stake in Scottish Media Group in the wake of Mirror Group's sale of its identical stake in SMG to Granada Group on Tuesday. The company intends to invest £20m this year in interactive services. **John Gapper**

LEISURE

Stanley approach to Capital

Capital Corporation, the London casino group, is considering a £80m takeover approach from Stanley Leisure, the casino and betting shop operator. Yesterday's statement by Capital was prompted by a 13 per cent rise in its share price, which closed 8½p higher at 75p. Shares in Stanely rose 10½p to 293p.

Although Capital last week reported a fall in pre-tax profits from £12.4m to just £3.54m, observers suggested the offer undervalued the company but that Capital might come under pressure from investors to accept it after a recent poor share price performance.

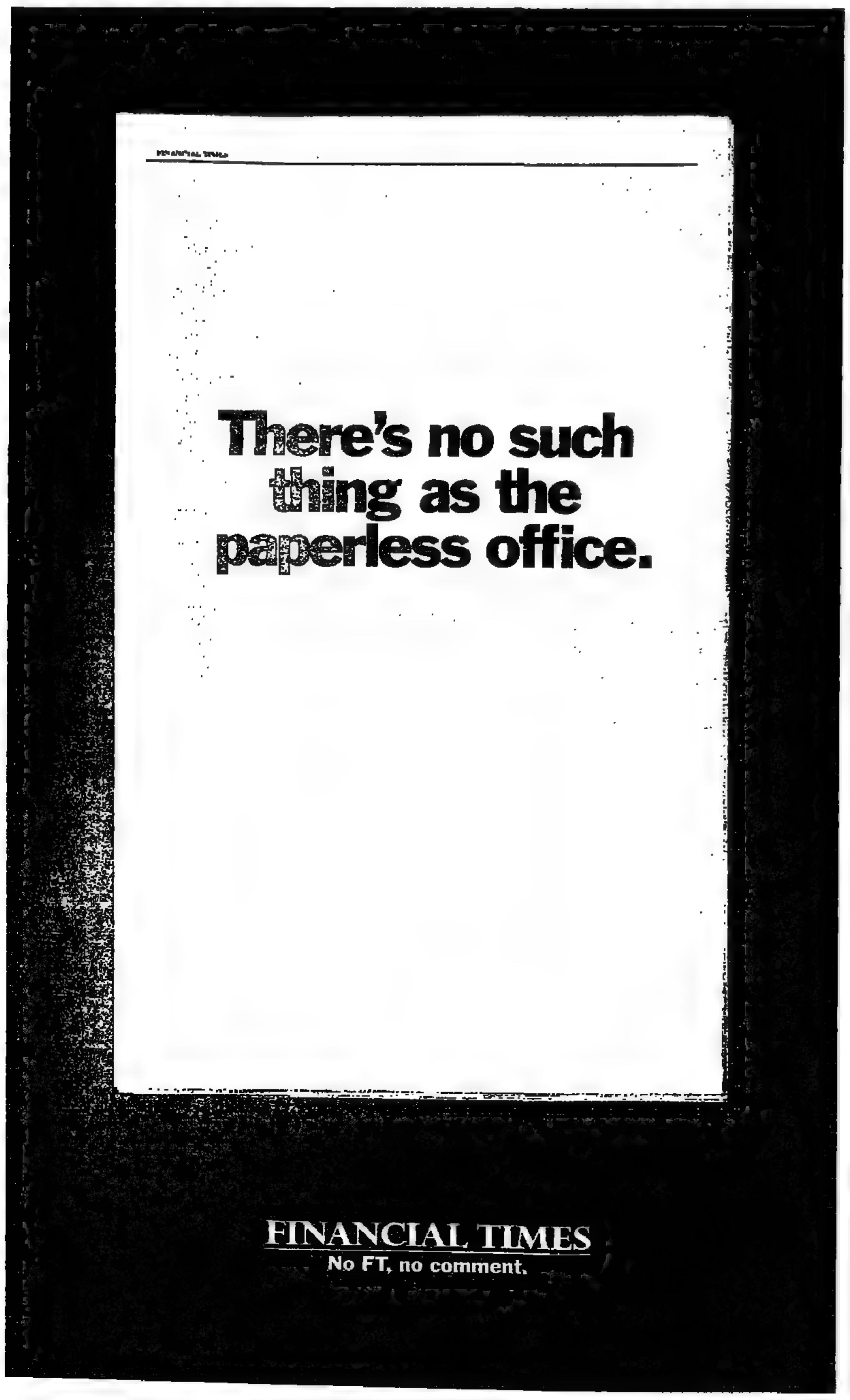
French group bids for Gremlin

Infogrames Entertainment, the French computer games group, yesterday made an agreed cash bid worth £22.9m for Gremlin, the UK games developer. Infogrames is quoted on the Paris bourse and is one of Europe's largest and fastest growing games developers, with sales in the year to June 30 of FFr1.47bn ($240m).

TRANSPORT

S&P cuts BA credit rating

Standard & Poor's, the credit rating agency, has cut British Airways rating from A to A-. S&P said BA's outlook was negative. The downgrade was based on increased fare competition on European, Asian and transatlantic routes.



Premier tumbles into loss

By Thorold Barker

Premier Oil, the exploration and production company, yesterday passed its dividend and plunged into the red because of higher than expected asset write-downs.

The company, which has faced concerns over its financial strength, also announced that John van der Welle would replace Edward Freeborn as finance director.

A write-down of £143.3m ($234m) resulted in a net loss for 1998 of £137.2m (£48.5m profit).

The shares, which have underperformed the exploration and production sector by 23 per cent in the last year, fell 1p to 14p.

Charles Jamieson, chief executive, said: "We had a resourcing review looking at needs going forward. Edward comes from a non-oil background, while John has extensive experience in our sector."

The review will lead to the loss of 26 per cent of Premier's staff this year, including Michael Knowles, operations director, who left the company yesterday. The job cuts will save £6m.

The exploration budget was cut to £16m (£38m).

Currencies hit Indep Newspapers

By John Murray Brown in Dublin

Adverse currency movements affecting its South African and New Zealand businesses last year hit Independent Newspapers, the media group controlled by Tony O'Reilly, the Irish-born entrepreneur.

Pre-tax profits for the 51 weeks to December 18 fell from I£100m ($191m) to I£70m after a I£36m restructuring provision. Turnover rose from I£599m to I£629m.

Independent has achieved 20 per cent earnings growth in each of the past five years. The buoyant Irish economy aided Independent's performance in its home market, with operating profits up 6 per cent to I£44.6m on turnover of I£220m, up 12 per cent.

In the UK, where the company increased its stake in the Independent and Independent on Sunday from 46 to 100 per cent, losses fell from £1.6m to £900,000.

In New Zealand, which accounts for 31 per cent of group turnover, operating profit was down 3 per cent.

In South Africa, it faced the effects from the rand's declined value and the economic downturn.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliance UniChem	Yr to Dec 31	5,353	(1,712)	110.1	(59.2)	24.9†	(22.6)	7	July 1	6.4	10.65	9.7
Amlin	6 mths to Nov 30 ★	-	(-)	2.6L♠	(8.1)	1.6L†	(5.9)	nil	-	1.5	-	11
Barratt Devs	6 mths to Dec 31 ★	435.2	(391.1)	41.2	(34.1)	12.2	(10)	3.55	May 21	3.3	-	10
Brake Bros	Yr to Dec 31	755.9	(691.6)	30.1	(27.3)	40.1	(36.6)	8.8	July 1	8	12.3	11.2
Bridport	6 mths to Jan 31	14.2	(12.3)	1.33	(1.39)	4.02†	(4.57)	2.1	May 5	2	-	5
Chelsfield	Yr to Dec 31	221.9	(141.6)	22.5♥	(24.6♠)	7.3†	(8.1)	2.2	May 24	2	3.6	3.3
City Centre Rest	Yr to Dec 31	185.9	(166)	5.67♠	(17.5♠)	2.1	(8.73)	2.35	June 1	2.35	3.1	2.8
Derby	Yr to Dec 31 ★	24.7	(22.6)	1.17L♠	(2.01)	3.7L	(4)	0.5	May 21	1.4	1.8	2.6
Edinburgh Fund	Yr to Jan 31	27	(30)	11.7♥	(17♥)	28.5	(41.5)	17	May 14	17	25	25
Fishers Intl	Yr to Dec 31	43	(40.4)	3.39♠	(2.37)	1.8†	(1.3)	0.6	July 12	0.45	0.85	0.65
Flextech	Yr to Dec 31 ★	152.5	(113.7)	5.12L♠	(6.21L♠)	1.83L	(3.49L)	-	-	-	-	-
Glynwed Intl	Yr to Dec 31	1,015	(1,242)	36.4♠	(76.2♠)	3.3	(18.6)	8.8	June 4	8.8	13.2	13.2
Gremlin	6 mths to Jan 31	18.3	(13.2)	1.51L	(2.5)	4.2L	(9.1)	nil	-	1.3	-	3.9
Hat Pin ϕ	Yr to Dec 31	6.84	(3.57)	0.048	(0.024)	0.7	(0.1)	nil	-	1	-	1
House of Fraser	Yr to Jan 30	797.7	(812)	19.3	(29)	6.6	(9.4)	3.8	July 1	3.8	5.5	5.5
Ind Newspapers ♣	51 wks to Dec 18 ★	629.1	(598.8)	70♠	(100.1♥)	19.69	(23)	6	Mar 26	5.2	9	7.8
Matthews (Bernard)	53 wks to Jan 3	340.8	(371.8)	14.5♠	(12.2♠)	8.12	(6.06)	2.8	May 14	2.5	4.8	4.3
Next	Yr to Jan 30	1,239	(1,177)	166.9♥	(184♥)	33.9	(36.9)	12.6	July 1	12	19.1	18
Premier Oil	Yr to Dec 31	104.6	(166.2)	128.2L♠	(71.1)	13.23L	(4.72)	nil	-	0.605	nil	0.605
Quality Software	Yr to Dec 31	41.2	(28)	4.6♥	(2.66)	33.8	(20.2)	nil	-	nil	nil	nil
Slough Estates	Yr to Dec 31 ★	224	(269.9)	101.1♠	(93.2♥)	17.5	(15.7)	6.275	May 21	6.125♂	10.4♂♂	9.525♂♂
Stanford Rook ϕ	Yr to Dec 31	0.21	(-)	1.58L	(1.78L)	[illegible]	(9.13L)	-	-	-	-	-
Taylor & Francis	Yr to Dec 31	40.2	(30.1)	7.16♠	(7.15)	7.3†	(8.17)	2	June 9	0.7	3	1.07
Television Corp	Yr to Dec 31	30.9	(31.2)	3.97♠	(4.11)	10.8	(14.1)	2.8	May 4	2.5	4.2	3.75
Weir	53 wks to Jan 1	724.9	(756.9)	71.6♥	(60.1)	26.1	(21.5)	7.15	June 14	6.46	8.9	9
Wolstenholme Rink	Yr to Dec 31 ★	90.8	(89.2)	10.7♥	(7.57)	95.3	(62.5)	18	May 20	17	28.5	27

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Radiotrust	Yr to Jan 31	164.53	(132.78)	0.334	(0.211)	3.88	(2.45)	2.33♦	June 30	2.33	2.33	2.33

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ϕAim stock. ♣Irish currency. ♂Foreign income dividend. ♂♂Includes FID element. ♦Special of 0.87p also proposed.

EURO PRICES

EQUITIES

Europe subdued by Wall St and Kosovo

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

The big overnight fall on Wall Street and nervousness about the prospect of conflict in Kosovo, kept European equity markets on the back foot from the start of trading yesterday.

A further pick-up in oil prices also kept the pressure on markets as German inflation numbers were slightly stronger than expected.

Confirmation that Romano Prodi, the former Italian prime minister, would be the next head of the European Commission, gave only a minor boost to sentiment, although European bourses did finish off the bottom.

The FTSE Eurotop 100 index closed 29.2, or 1 per cent, lower at 2,809.13 while the broader Eurotop 300 index fell 11.43 to 1,217.39. The FTSE Ebloc 100 index, which focuses on stocks in the euro-zone, dropped 10.56 to 1,002.19.

The best performing sector was mining, which gained 2.2 per cent in response to strong metal prices. Franco-Belgian bank Dexia was the best performing stock thanks to good results and analyst upgrades.

The day's worst sector was information technology, which tumbled 4.2 per cent on the back of weakness in high-tech stocks on Wall Street.

Research from HSBC shows that the technology sector might be more vulnerable to higher interest rates and bond yields than most investors would expect.

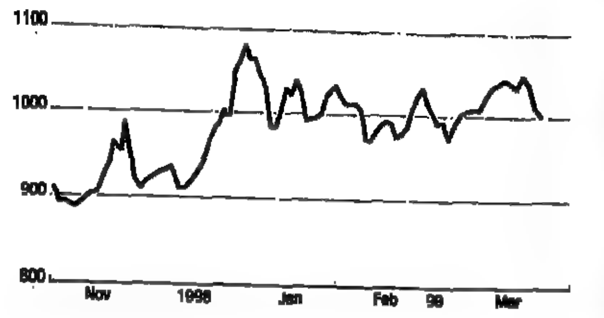
"It is often assumed that cyclical stocks perform better as interest rates fall since these conditions imply stronger future growth rates.

"Nevertheless, there is strong evidence – both in theory and in practice – that growth stocks are more sensitive to interest rates than their cyclical counterparts," says Peter Oppenheimer, global strategist at HSBC.

Growth stocks depend heavily on future earnings projections for their value. But those earnings have to be discounted to give them a present value. An increase in the discount rate thus should mean a lower value for growth stocks.

Research by HSBC shows that the European sectors that perform best when interest rates are rising are leisure and hotels, diversified industries and household goods; those that perform worst are pharmaceuticals, telecoms, retail banks and support services.

FTSE Eurobloc 100
Index



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.115	97.140	+0.035	97.145	97.105	56458	197949
Sep	97.135	97.160	+0.035	97.165	97.125	36805	169899
Dec	96.885	96.910	+0.035	96.935	96.885	15219	98587
Mar	97.025	97.050	+0.030	97.060	97.020	17099	85027

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.115	97.140	+0.035	97.140	97.115	298	105952
Sep	97.140	97.160	+0.035	97.160	97.140	85	93029
Dec		96.910	+0.035			0	83397
Mar		97.050	+0.030			0	84148

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Jun	Calls Sep	Calls Dec	Calls Mar	Puts Jun	Puts Sep	Puts Dec	Puts Mar
97125	0.085				0.070			
97250	0.035	0.090	0.070	0.130	0.145	0.180	0.410	0.330
97375	0.015				0.250			
97500	0.005	0.025	0.030	0.065	0.365	0.305	0.620	0.515

Est. vol. total, Calls 1165 Puts 0. Previous day's open int., Calls 163407 Puts 95970

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2795.0	2805.0	-35.0	2807.0	2795.0	185	5323

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P
Apr	199	31	151	42	113	57	80	78	58	102	38	133	25	170	-	-
May	255	74	195	95	160	105	130	127	104	161	82	179	63	210	54	.

Est vol total:0 Prev day's open interest total: 8,112 . Premiums shown are based on settlement prices.

OTHER INDICES

	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3441.38	3489.16	3581.42	3870.82	3438.07	3870.82	2429.07
DJ Euro Stx 50	3472.44	3520.84	3607.82	3885.38	2419.23	3885.38	2419.23
MSCI Europe	(u)	1198.44	1202.00	1313.85	906.59	1318.85	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Mar 24 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total rets (Euro) €
FTSE Eurotop 300	1217.39	-0.93	-11.43	2.10	4.19	1257.82
FTSE Eurotop 100	2809.13	-1.03	-29.20	2.09	10.65	1010.80
FTSE Eurobloc 100	1002.19	-1.04	-10.56	2.00	1.16	1018.46
FTSE EuroMid	1212.24	-1.22	-15.01	2.91	4.65	1250.94
FTSE EuroMid Eurobloc	1171.23	-1.19	-14.15	2.57	2.43	1198.49
FTSE EuroMid Ex UK	1226.74	-1.55	-19.28	2.38	2.23	1251.71
FTSE Eurotop 300 Regions						
Eurobloc	1250.66	-1.09	-13.74	1.94	1.76	1279.21
UK	1184.57	-0.51	-6.07	2.80	8.89	1253.14
Europe Ex-Eurobloc	1194.21	-0.77	-9.26	2.26	6.62	1243.76
Europe Ex-UK	1236.58	-1.16	-14.54	1.83	1.67	1261.26
FTSE Eurotop Industry Sectors						
RESOURCES	983.08	-0.91	-8.98	3.00	3.69	1032.42
Mining	964.89	+3.16	+29.51	3.82	21.37	1009.51
Oil & Gas	946.82	-1.07	-10.24	2.96	2.82	973.09
BASIC INDUSTRIES	1067.62	-1.17	-12.62	2.68	5.56	1096.02
Chemicals	811.69	-1.28	-10.51	2.65	2.47	828.54
Construction & Bld Matls	[illegible]	+0.22	+2.21	2.25	1.13	993.43
Forestry & Paper	960.02	-3.70	-36.90	4.03	33.03	1038.31
GENERAL INDUSTRIALS	1116.40	-1.18	-13.34	2.43	3.28	1143.53
Aerospace & Defence	753.34	+1.50	+11.12	2.40	2.89	766.44
Diversified Industrials	952.22	-0.79	-7.55	2.11	0.00	974.00
Electronic & Elect Equip	1037.88	-1.93	-20.40	1.88	5.15	1048.73
Engineering & Machinery	999.66	-1.57	-15.91	4.55	4.16	1017.88
CYCLICAL CONS GOODS	1232.68	-1.55	-19.47	2.41	0.60	1267.19
Automobiles	887.94	-2.11	-19.18	2.50	0.53	895.68
Household Goods & Texts	1397.31	+0.96	+13.25	2.03	0.00	1408.24
NON-CYC CONS GOODS	1184.39	-0.51	-6.11	1.58	3.85	1220.82
Beverages	915.38	-1.93	-18.05	2.51	10.32	945.59
Food Producers & Process	882.72	-1.01	-8.99	1.74	1.41	894.45
Health	995.04	-1.23	-12.44	1.09	0.00	1010.94
Packaging	789.17	-0.72	-5.73	1.15	0.00	790.15
Personal Care & Hse Prods	1064.94	-0.40	-4.28	0.85	1.94	1075.93
Pharmaceuticals	1094.13	-0.17	-1.86	1.28	3.25	1093.18
Tobacco	1349.65	+0.27	+3.66	3.74	7.11	1382.44
CYCLICAL SERVICES	1283.84	-0.74	-9.55	2.15	3.83	1324.87
Distributors	676.11	+1.48	+9.86	1.38	0.00	683.71
General Retailers	1044.87	-2.00	-21.34	2.35	1.27	1067.71
Leisure Entertmt & Hotels	936.25	-2.04	-19.50	2.15	8.72	980.25
Media & Photography	1180.16	-0.23	-2.88	1.91	8.39	1188.97
Rests, Pubs & Breweries	856.63	-1.09	-9.48	3.39	3.71	885.60
Support Services	1034.21	-0.74	-7.75	1.30	1.10	1046.24
Transport	987.30	+1.65	+16.02	2.73	1.81	1007.39
NON-CYCLICAL SERVS	1309.18	-0.11	-1.38	1.38	0.48	1347.98
Food & Drug Retailers	1042.47	+2.18	+22.26	2.06	0.51	1068.90
Telecommunications Servs	1287.54	-0.58	-7.53	1.25	0.43	1307.16
UTILITIES	1387.61	+0.48	+6.62	3.16	5.17	1476.69
Electricity	1044.92	-0.22	-2.32	3.39	4.44	1082.63
Gas Distribution	1182.41	+2.34	+26.99	1.86	1.00	1302.95
Water	913.83	+1.39	+12.51	5.44	6.94	963.00
FINANCIALS	1305.19	-1.28	-16.88	2.24	6.22	1347.25
Banks	933.03	-1.22	-11.53	2.83	6.13	982.71
Insurance	985.16	-1.65	-16.21	1.42	1.78	979.58
Life Assurance	1082.82	-1.29	-14.14	1.86	4.56	1101.31
Investment Companies	993.04	-0.53	-5.33	1.28	0.00	1016.87
Real Estate	713.88	-1.58	-11.44	3.54	1.67	734.18
Speciality & Other Fin	1008.25	+0.59	+5.91	2.24	0.79	1025.88
INFORMATION TECH	879.98	-2.84	-25.69	0.95	4.42	888.33
Information Tech Hardware	959.51	-4.22	-42.26	1.07	8.24	957.76
Software & Computer Serv	696.57	+1.93	+13.20	0.58	0.16	698.38

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FTSE EUROTOP 300

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Mar 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.6833	+0.2959	554 - 111	38.7120	38.3370	38.8318	-4.6	39.1058	-4.4	40.2435	-4.0
Denmark	(DKr)	7.4285	-0.0032	[illegible]	7.4327	7.4213	7.4306	-0.3	7.4336	-0.3	[illegible]	-0.3
Greece	(Dr)	324.408	+1.9990	294 - 522	325.130	320.337	326.3014	-7.0	329.6093	[illegible]	342.3037	-5.5
Hungary	(Forint)	256.491	+2.3510	[illegible] - 701	257.040	253.650	259.2636	-13.0	264.5766	-12.6	286.6823	-11.8
Norway	(NKr)	8.4501	+0.0261	[illegible]	8.4670	8.4350	8.4794	-4.2	8.5286	-3.7	8.6818	-2.7
Poland	(Zloty)	4.3400	+0.0220	[illegible] - 452	4.3536	4.3198	-	-	-	-	-	-
Romania	(Leu)	15830.00	-209.3400	[illegible]	15883.00	15777.95	-	-	-	-	-	-
Russia	(Rouble)	28.8131	+1.7846	[illegible]	28.7830	26.6083	-	-	-	-	-	-
Slovakia	(Koruna)	44.7106	+0.1027	[illegible]	44.8810	42.3274	-	-	-	-	-	-
Sweden	(SKr)	8.9880	+0.0814	[illegible]	8.9955	8.9550	8.9889	-0.1	8.9891	0.0	9.0003	-0.1
Switzerland	(SFr)	1.5917	[illegible]	911 - 922	1.5930	[illegible]	1.5892	1.9	1.5842	1.9	1.5670	1.6
UK	(£)	0.6647	-0.0033	[illegible]	0.6687	0.6640	0.6661	-2.5	0.6685	-2.3	0.6787	-2.1
Americas												
Argentina	(Peso)	1.0920	+0.0024	[illegible]	1.0958	1.0878	-	-	-	-	-	-
Brazil	(R$)	2.0122	-0.0085	[illegible]	2.0276	2.0074	-	-	-	-	-	-
Canada	(C$)	1.6420	-0.0005	411 - 428	1.6505	1.6406	1.6447	-2.0	1.6501	-2.0	[illegible]	-2.0
Mexico	(New Peso)	10.5748	+0.0265	[illegible]	10.6202	10.5318	10.7779	[illegible]	[illegible]	-21.7	12.5877	-22.8
USA	($)	1.0921	+0.0024	919 - 923	1.0950	1.0880	1.0939	-2.0	1.0975	-2.0	1.1164	-2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7080	[illegible]	[illegible]	[illegible]	[illegible]	1.7086	-1.8	[illegible]	-1.8	1.7367	-1.9
Hong Kong	(HK$)	8.4624	+0.0186	[illegible]	8.4768	8.4290	8.4781	[illegible]	8.5170	-2.6	8.8046	-4.0
India	(Rs)	46.3078	+0.1127	[illegible]	[illegible]	46.1366	46.6563	-9.0	47.3614	-9.1	50.8264	[illegible]
[illegible]	(Rupiah)	9859.83	+15.7700	056 - 870	9908.90	9629.10	9888.59	-28.4	10446.43	-32.6	12777.83	-32.3
Israel	(Shk)	4.4082	[illegible]	036 - 128	4.4226	4.3774	-	-	-	-	-	-
Japan	(Y)	128.426	-0.1370	[illegible]	129.000	[illegible]	128.1119	2.9	127.4846	2.9	124.8838	2.8
Malaysia	(M$)	4.1500	+0.0091	[illegible]	[illegible]	4.1344	-	-	-	-	-	-
New Zealand	(NZ$)	2.0252	-0.0014	[illegible]	2.0357	2.0204	2.0278	-1.6	2.0338	-1.7	2.0642	-1.9
Philippines	(Peso)	42.2843	+0.0384	927 - 359	42.5798	41.9424	42.6074	-9.7	43.2740	-9.6	46.2005	[illegible]
Saudi Arabia	(SR)	[illegible]	[illegible]	951 - 971	4.1109	4.0808	4.1084	-3.6	[illegible]	-3.7	4.2544	-3.9
Singapore	[illegible]	1.8844	-0.0019	[illegible]	1.8877	1.8830	1.8825	1.2	1.8797	1.0	1.8790	0.3
South Africa	(R)	6.7658	-0.0287	[illegible]	6.8120	6.7371	[illegible]	-12.0	6.9654	-11.8	7.4864	-10.7
South Korea	(Won)	1335.88	+0.7000	430 - 741	1341.50	1331.50	-	-	-	-	-	-
Taiwan	(T$)	36.1485	+0.0522	873 - 097	36.2920	36.0480	36.3230	-5.8	36.6324	-5.4	37.7584	-4.5
Thailand	(Bt)	41.0248	+0.1883	790 - 705	41.1000	40.8280	41.1295	-3.1	[illegible]	-3.9	43.1118	-5.1
UAE	(Dirham)	4.0112	+0.0088	102 - 121	4.0550	3.9750	4.0184	-2.2	4.0342	-2.3	4.1140	-2.6

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, and spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

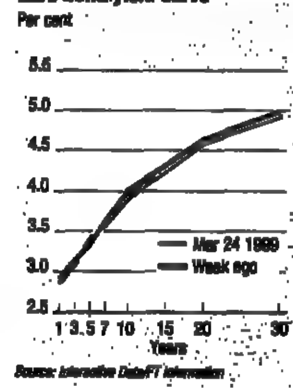
BONDS

INTEREST RATE SWAPS

Mar 24	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.02	3.05	5.20	5.23	1.41	1.45	5.25	5.28	0.23	0.26
2 year	3.10	3.14	5.21	5.24	1.68	1.76	5.44	5.47	0.35	0.39
3 year	3.26	3.30	5.28	5.32	1.93	2.01	5.55	5.58	0.59	0.62
4 year	3.44	3.46	5.29	5.32	2.14	2.22	5.63	5.65	0.85	0.88
5 year	3.62	3.66	5.28	5.32	2.34	2.42	5.69	5.72	1.14	1.17
6 year	3.80	3.84	5.28	5.32	2.53	2.61	5.75	5.78	1.39	1.42
7 year	3.97	4.01	5.29	5.33	2.70	2.78	5.81	5.84	1.63	1.66
8 year	4.13	4.17	5.29	5.33	2.87	2.95	5.86	5.89	1.83	1.86
9 year	4.25	4.30	5.30	5.34	3.04	3.12	5.91	5.94	1.98	2.01
10 year	4.35	4.39	5.31	5.35	3.19	3.27	5.95	5.98	2.12	2.15
12 year	4.50	4.54	5.31	5.36	3.42	3.52	6.03	6.05	2.34	2.38
15 year	4.70	4.74	5.32	5.37	3.68	3.78	6.13	6.16	2.60	2.65
20 year	4.92	4.96	5.32	5.37	3.93	4.03	6.21	6.24	2.80	2.85
25 year	5.06	5.10	5.31	5.38	4.04	4.14	6.21	6.24	2.88	2.91
30 year	5.11	5.15	5.31	5.38	4.13	4.23	6.21	6.24	2.91	2.97

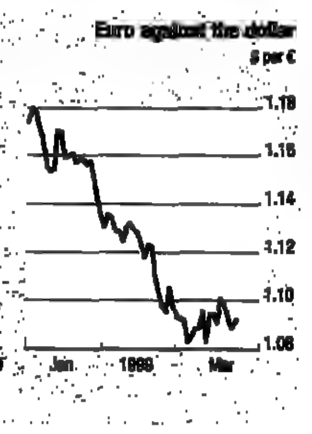
Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

Euro bond yield curve
Per cent



Source: Interactive Data/FT Information

Euro against the dollar
$ per €



EURO-ZONE BONDS

Mar 24	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	101.938	3.14	-0.02	+0.04	+0.12
Denmark	01/02	4.750	AA+	103.862	3.27	-0.01	+0.06	+0.16
Sweden	02/01	5.000	AA+	103.255	3.16	-0.02	+0.04	+0.14
Greece	11/06	6.750	BBB	114.501	4.46	-0.02	+0.09	+0.83
■ SUPRANATIONALS								
ADB	10/07	6.500	AAA	108.208	4.33	-0.01	+0.04	+0.56
EIB	04/08	5.000	AAA	105.677	4.20	-0.02	+0.17	+0.30
Eurofima	12/09	5.625	AAA	109.124	4.53	+0.00	+0.09	+0.61
World Bank	04/05	7.125	AAA	117.547	3.81	-0.04	+0.07	+0.32
■ UTILITIES								
EDP	10/03	3.750	n/a	101.516	3.38	-0.06	-0.06	+0.16
TEPCO	02/03	4.750	AA	103.747	3.70	-0.03	-0.04	+0.47
Quebec Hydro	03/08	5.375	A+	104.893	4.69	-0.02	+0.12	+0.79
Norsk Hydro	10/99	7.250	A	101.875	3.44	-0.07	-0.05	+0.58
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	107.107	4.53	+0.03	+0.17	+0.45
OKB	09/07	5.750	AAA	110.695	4.22	+0.01	+0.14	+0.45
Credit Local	04/08	5.250	AA+	105.789	4.48	-0.03	+0.10	+0.56
Abbey Natl	01/09	5.000	AA-	101.381	4.82	+0.00	+0.15	+0.80
■ INDUSTRIALS								
Unilever	10/01	6.125	AAA	104.224	3.35	+0.02	+0.00	+0.33
McDonalds	03/08	5.125	AA	105.008	4.44	-0.01	+0.12	+0.54
Philip Morris	06/08	5.625	A	104.439	5.01	-0.01	+0.19	+1.11
BAT Int Fin	07/08	5.375	A-	102.930	4.89	-0.02	+0.08	+1.26
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.831	3.26	-0.01	+0.03	+0.24
Eurohypo AG	01/04	6.000	n/a	106.085	3.59	-0.01	+0.04	+0.24
Bayer Vereins	01/06	6.000	n/a	111.978	3.96	-0.01	+0.11	+0.33
Depfa	07/08	4.750	n/a	103.369	4.30	-0.01	+0.15	+0.40
■ HIGH YIELD								
Geberit	04/07	10.125	B+	114.750	8.26	-0.01	-2.12	+2.49
Colt Telecom	11/07	8.875	n/a	107.000	7.75	+0.11	-0.09	+3.98
Impress Metal	05/07	9.875	B	110.750	7.41	+0.08	-2.09	+3.64
Rémy Cointreau	07/05	10.000	B+	100.000	9.99	-0.13	-0.17	+6.50

Standard & Poor's ratings. Source: Interactive Data/FT Information.

Exchanges argue for reduced CFTC role

By Nikki Tait in Chicago

The big Chicago futures exchanges are expected to argue for a much-reduced regulatory role for the Commodity Futures Trading Commission as the issue of "reauthorising" the futures industry regulator comes before the US congress.

But they also endorse continued trading of privately negotiated "swaps" derivatives on unregulated over-the-counter markets.

Unlike many US regulatory agencies, the CFTC does not have permanent funding and is required to seek periodic reauthorisation.

Given recent controversy over regulation of OTC swaps – and the extent to which the CFTC or any other agency should oversee this rapidly-expanding business – the process is particularly charged this year.

Some industry participants have suggested the CFTC should be folded into the Securities and Exchange Commission, as demarcation lines between on and off-exchange derivatives blur.

Meanwhile, Brooksley Born, CFTC chairman, has advocated a review of the core Commodity Exchange Act, because of rapid changes in technology and the types of product traded.

The Chicago exchanges have traditionally viewed the OTC market as a competitor, and demanded equal treatment, meaning much lighter regulation.

However, officials yesterday met "a broad representation" of OTC and exchange-based market users and said afterwards they would endorse a system under which privately negotiated derivatives would be traded on an unregulated market.

Prices mixed on war threat

BENCHMARK BONDS

By Bertrand Benoit in London and John Labate in New York

Government bond markets were mixed yesterday as unease about the possibility of war in the Balkans was offset by upbeat political and macroeconomic news.

In Europe there were hints of a flight to quality at the short end of the German maturity curve in the midst of the Kosovo crisis.

The yield on one-year German bonds tightened 4 basis points to 2.97 per cent and that on the two-year bond fell 3 points to 3.07 per cent.

But analysts said investors had grown accustomed to international crises and were adopting a wait-and-see attitude. "There is a degree of complacency," said David Brown at Bear Stearns.

"Bond and equity markets have been walking on quicksand for the past weeks and a full-scale conflict in Europe's back yard could cause a very nasty sting in the tail," Mr Brown said.

The nomination of Romano Prodi as president of the European Commission helped boost sentiment in Europe. Mr Prodi was the originator of a plan to fund a Commission job-creation programme by using excess foreign exchange reserves held by central banks after the launch of the euro.

"Prodi's plan is not on the agenda any longer but if it gets revived it could well give a shot in the arm to economic activity in Europe without damaging the fiscal position of member states," said Sally Wilkinson at Daiwa Europe.

The June 10-year German bund future rose 0.09 points to 113.99, helped by a sell-off in European equities.

A statement by Kerstin Hessius, deputy governor of the Swedish central bank, fuelled expectations that the bank could cut interest rates when it meets today. Mrs Hessius said Sweden's repo rate could fall below the euro-zone's without hurting the Swedish krona.

The 10-year Swedish bond future rose 0.38 points to 110.80 in Stockholm.

US Treasuries were mixed amid tension over planned air strikes against Kosovo. A flight to safety at the long end of the yield curve helped push the 30-year bond up ¼ to 95⅝, sending the yield down to 5.536 per cent.

However, shorter-term issues fell. The 10-year note was down 1/32 at 96¾, yielding 5.165 per cent and two-year notes were unchanged at 100, yielding 4.998 per cent.

A sharp fall in durable goods orders was reported yesterday. Orders excluding the volatile transport sector fell by a higher-than-expected 1.7 per cent in February.

Japanese banks in ABS deals

NEW ISSUES

By Arkady Ostrovsky

Japanese banks launched several asset-backed securities yesterday, reflecting improving sentiment towards Japanese credit.

Unique, the UK's largest tied public house group, which is owned by Nomura, issued a £810m securitised bond. The bond securitises rental revenues from tenants and profits made from the sale of beer to the pubs.

Forest Funding, a special purpose vehicle for Ifco, a Japanese finance company issued $170m of short-dated floating-rate notes priced to yield 60 basis points over Libor. The issue, led by DKB International, is backed by loans made by Ifco to Japanese buyers of Isuzu cars.

Two telecommunications companies offered euro-denominated bonds. Portugal Telecom issued a €1bn bond, which was underwritten by Merrill Lynch and Warburg Dillon Read. It was priced to yield 70 basis points over German 10-year bunds.

Telecom Argentina, which is partly owned by Telecom Italia and France Telecom, became the first Latin American corporate to borrow in euros.

The five-year €125m issue, led by J.P. Morgan was priced at 80 basis points below Argentina's five-year bond and 500 basis points over OATs.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Millenium Loan Trust‡	450	(a,l)	100.00R	Apr 2006	0.25R	-	JP Morgan/TMI
Millenium Loan Trust‡	550	(b,l)	100.00R	Apr 2006	0.25R	-	JP Morgan
BOHELT Class A1(c)	165	6.06	99.992	Jan 2012	0.20	-	Merrill Lynch
Royal Bank of Canada	400	5.875	99.918	Apr 2004	0.30	+77(4⅝%Feb04)	JP Morgan
Bayerische Landesbank	200	4.50	97.415R	Apr 2002	0.1875R	+43(5⅝%Feb01)	Commerzbank
Foresting Funding Corp‡	170	(d)	100.00	Apr 2004	0.40	-	DKB Int
Shell Finance UK	75(g)	5.50	100.20R	Mar 2002	0.1875R	+38(5⅝%Feb01)	Warburg Dillon Read
Icelandic Inv Bank	60	(h)	100.017	Mar 2004	0.15	-	ABN Amro
EUROS(e)							
Portugal Telecom Int Fin	1bn	4.625	99.412R	Apr 2009	0.375R	+70(4%Jan09)	Merrill Lynch/WDR
AHB	1bn	3.00(l)	99.310R	Apr 2002	0.05R	-	(j)
DSL Bank	500	3.875	99.753R	Apr 2006	0.30R	+12(6%Jan06)	ABN Amro/Hypovereins
Banco di Napoli‡	300	(k)	99.679R	Apr 2004	0.25R	-	MSDW
SGZ Int‡	250	(n)	100.01R	Apr 2003	0.175R	-	ABN Amro/Commerzbank
Telecom Argentina	125	8.375	99.75R	Apr 2004	0.75R	+500(3¼ 04)	JP Morgan
Banca Popolare di Novara‡	200	(p)	99.855R	Apr 2002	0.10R	-	Lehman Bros
STERLING							
Unique Pub Fin Class A1‡	285	(q,t)	99.70R	Sep 2010	0.25R	-	Nomura
Unique Pub Fin Class A2‡	150	(r,t)	100.00R	Sep 2013	0.375R	-	Nomura
Unique Pub Fin Class A3	250	6.542(t)	100.00R	Mar 2021	0.75R	-	Royal Bank of Scotland
Unique Pub Fin Class M	125	7.395(t)	100.00R	Mar 2024	1.25R	-	Royal Bank of Scotland
SWISS FRANCS							
Asian Development Bank	300	2.25	101.00	Apr 2006	2.00	+43(i)	CSFB
GREEK DRACHMA							
Deutsche Bank DB Ireland‡	10bn	(u)	99.95R	Apr 2002	0.20R	-	Deutsche/Unicredito

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 1-mth Libor plus 22bp. b) Funded notes:1-mth Libor +55bp. Unfunded notes:20bp plus upfront fee of 7½bp. c) Also issued: Class A2 $30m, Class A3 $31m, Class A4 $28m. d) 1-mth Libor plus 60bp. 5% cleanup call. e) Spread relates to German govt bonds unless stated. g) $250m bond issued 11/3/99 increased to $325m. h) 3-mth Libor plus 25bp. i) Over interpolated yield. j) ABN Amro/Barclays/Commerzbank/Deutsche Bank/Dresdner Kleinwort Benson/Hypovereinsbank/Nord LB/SGZ k) 3-mth Euribor plus 30bp. l) Long 1st coupon. n) 3-mth Euribor plus 12½bp. p) 3-mth Euribor plus 25bp. q) 3-mth Libor plus 75bp. r) 3-mth Libor plus 112½bp. t) Callable on every interest date. u) 3-mth Athimid minus 50bp.

Pakistan debt move 'may lead to default'

By Arkady Ostrovsky

The restructuring of Pakistan's public debt to the Paris Club of government creditors could trigger a default on international bonds, according to a report by Moody's, the international rating agency.

The Paris Club told Pakistan to seek restructuring of all commercial obligations, including international bonds, on terms comparable with those offered by itself.

Romania, meanwhile, is also under pressure to restructure its international bonds. The Paris Club and the International Monetary Fund believe that markets should share the burden of debt restructuring with taxpayers.

But Moody's warns that this policy could trigger defaults on international bonds and increase the cost of international bail-outs over the longer term.

"There is no mechanism at present for restructuring international bonds in an orderly way," said Kristin Lindow, an author of the report. "This meant any attempt to restructure international bonds effectively results in a default.

"Our position is that protection of investors who hold international bonds serves the interest of the issuer, by protecting their access to international capital markets," she said.

She said the Paris Club position on the restructuring of international bonds was inconsistent with the IMF's demand that Pakistan raises $1.1bn from bond markets.

However, Moody's recognises that a default on some international bonds may be unavoidable, as may be the case with Pakistan.

Brazilian groups plan bond issues

By John Barham in São Paulo

Brazil's biggest private bank, its biggest mining company and the largest foreign bank based in Brazil are planning international bond issues or loans, marking the country's return to global markets.

The country had been shut out of the markets since Russia's default in August. Its exclusion became total following January's 40 per cent devaluation of the Real.

Banco Bradesco, the largest private bank, plans to raise $100m through a one-year international bond underwritten by Merrill Lynch. Companhia Vale do Rio Doce (CVRD), the iron ore mining giant, has mandated NationsBank to arrange a $50m loan.

Citibank's Brazilian arm is getting ready to launch a $50m to $75m six-month bond co-ordinated by Citibank and its stablemate Salomon Smith Barney.

José Guilherme Lembi de Faria of Banco Bradesco, said: "We have felt a substantial improvement. There was a credibility crisis and although the fundamentals of the market are the same, confidence is returning."

Gabriel Stoliar at CVRD, said: "I do not think Brazil risk had [deteriorated] as much as [market] volatility demonstrated. Now the [picture] is adjusting more quickly than expected."

Bradesco, like CVRD and Citibank have decided not to wait for the government to place a sovereign bond, which is intended both to raise money for the treasury and to act as an interest rate benchmark for international lenders to Brazil.

Businessmen say the attitude of the world's financial markets towards Brazil changed sharply this month following the confirmation of Arminio Fraga as central bank president and the government's renegotiation of performance targets with the IMF.

This ensured that Brazil can continue drawing down $41.5bn from an international rescue package. The passage of austerity measures through congress helped boost international confidence further.

Bradesco will use the one year line to fund dollar-linked loans to local companies and farmers. CVRD will use its loan to finance ongoing investments. Mr Stoliar said a planned $500m to $1bn securitisation of the company's export receivables, shelved following last year's financial market turbulence, remains "in the oven" pending a final decision on new investments.

Although pricing for these operations is still in its formative stages, yields have moved up substantially since these borrowers last tapped markets. Mr de Faria says Bradesco's loan is being premarketed at a coupon range of 11.50 to 11.75 per cent, substantially more than previously.

These operations should pave the way for other blue chip and cash-rich Brazilian borrowers to return to the market. Most have been unable to roll over foreign loans maturing this year, forcing them either to pay down loans or refinance them at scorchingly high interest rates on local domestic markets.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Mar 24	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.5915	4.86	−0.10	−0.03	−0.06	−0.13
	05/08	8.750	124.4636	5.28	−0.13	-	+0.03	−0.36
Austria	03/01	5.250	104.1500	3.03	−0.03	−0.05	−0.05	−1.10
	01/08	5.000	106.3900	4.13	−0.01	+0.04	+0.18	−0.80
Belgium	03/01	5.000	103.6700	3.07	−0.03	−0.01	+0.02	−1.00
	09/09	3.750	96.9500	4.25	−0.01	+0.06	+0.17	−0.66
Canada	12/00	[illegible]	[illegible]	4.95	−0.03	−0.13	−0.17	+0.06
	06/08	6.000	106.1000	5.16	−0.02	−0.06	−0.02	−0.16
Denmark	11/00	[illegible]	[illegible]	3.38	−0.01	−0.03	−0.04	−0.67
	11/09	6.000	113.3300	4.40	-	+0.04	+0.16	−0.71
Finland	06/00	4.000	101.1780	3.00	−0.01	-	+0.04	−0.67
	04/09	5.000	106.3450	4.22	-	+0.06	+0.16	−0.60
France	07/00	4.000	101.2800	2.96	−0.03	−0.03	-	−1.03
	04/05	7.250	121.8300	3.65	−0.01	+0.06	+0.09	−0.94
	04/09	4.000	[illegible]	4.11	−0.01	+0.07	+0.16	−0.76
	04/29	5.500	107.2700	5.03	+0.01	+0.09	+0.21	−0.39
Germany	05/01	5.000	104.0700	3.00	−0.02	-	+0.04	−0.86
	01/05	6.000	112.9400	3.79	−0.01	+0.03	+0.10	−0.87
	01/09	3.750	98.0500	3.99	−0.01	+0.05	+0.13	−0.88
	07/28	4.750	96.5600	4.97	+0.01	+0.06	+0.16	−0.48
Greece	03/00	9.800	100.8700	9.02	+0.28	−0.03	−0.61	−1.08
	01/09	6.300	102.2000	5.99	+0.10	+0.11	−0.11	−2.80
Ireland	10/01	6.500	108.2600	3.09	−0.06	−0.07	−0.03	−1.36
	08/08	6.000	114.2200	4.14	-	−0.02	+0.10	−0.86
Italy	07/01	4.500	102.9600	3.13	−0.01	+0.02	+0.02	−1.33
	07/03	4.900	104.1800	3.44	−0.02	−0.01	+0.03	−1.23
	08/08	4.500	102.4800	4.20	-	+0.06	+0.16	−0.87
	11/27	6.800	119.5700	5.18	+0.01	+0.04	+0.20	−0.41
Japan	12/00	6.800	111.4550	0.23	+0.02	−0.01	−0.08	−0.33
	12/03	4.100	114.5880	0.92	+0.06	-	−0.16	−0.23
	06/08	1.800	100.3090	1.78	+0.06	+0.06	−0.10	+0.79
	09/18	2.300	95.1610	2.62	+0.05	+0.02	−0.15	+0.23
Netherlands	01/01	9.000	110.2800	3.02	-	−0.01	+0.01	−0.86
	07/09	3.750	96.9100	4.12	−0.01	+0.05	+0.18	−0.71
New Zealand	02/01	[illegible]	105.4001	4.81	−0.01	+0.05	−0.08	−2.84
	07/09	7.000	108.6343	5.87	−0.01	+0.16	+0.23	−1.20
Norway	05/01	7.000	104.0600	4.97	+0.02	+0.06	+0.03	+0.78
	05/09	5.500	104.3500	4.94	-	+0.10	+0.20	−0.23
Portugal	03/00	5.375	102.3300	2.92	−0.07	+0.03	−0.01	−1.09
	06/08	5.375	108.7300	4.21	+0.01	+0.05	+0.17	−0.76
Spain	01/01	5.000	103.6200	2.94	−0.03	−0.02	−0.02	−1.13
	07/09	5.150	105.6600	4.45	-	+0.09	+0.12	−0.94
Sweden	05/00	10.250	107.4658	3.17	−0.04	−0.10	−0.08	−1.51
	05/08	6.500	115.7763	4.36	−0.05	+0.06	+0.19	−0.90
Switzerland	06/00	4.500	103.6400	1.39	−0.06	−0.03	+0.03	−0.28
	07/08	4.250	115.9000	2.23	-	+0.05	+0.02	−0.54
UK	11/01	7.000	105.3889	4.78	+0.01	−0.03	+0.10	−1.86
	12/03	6.500	107.9423	4.80	-	+0.02	+0.16	−1.42
	12/09	5.750	110.3416	4.62	+0.02	+0.10	+0.20	−1.38
	12/28	6.000	124.7000	4.49	+0.01	+0.08	+0.16	−1.34
US	01/01	4.500	99.1318	5.00	−0.02	−0.01	+0.02	−0.54
	02/04	4.750	98.6522	5.06	−0.03	+0.01	+0.04	−0.57
	11/08	4.750	95.8853	5.16	−0.04	+0.03	+0.07	−0.48
	02/29	5.250	95.8519	5.54	−0.02	+0.03	+0.06	−0.38

London closing * New York closing. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Mar 24	Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.40	+1.38	+0.23
Austria	4.31	+0.29	−0.86
Belgium	4.24	+0.22	−0.93
Canada	5.16	+1.14	−0.01
Denmark	4.38	+0.36	−0.79
Finland	4.22	+0.20	−0.95
France	4.09	+0.07	−1.08
Germany	4.02	-	−1.15
Greece	5.96	+1.94	+0.79
Ireland	4.24	+0.22	−0.93
Italy	4.22	+0.20	−0.95
Japan	1.81	−2.21	−3.36
Netherlands	4.15	+0.13	−1.02
New Zealand	5.86	+1.84	+0.69
Norway	4.93	+0.91	−0.24
Portugal	4.21	+0.19	−0.96
Spain	4.21	+0.19	−0.96
Sweden	4.39	+0.37	−0.78
Switzerland	2.44	−1.58	−2.73
UK	4.62	+0.60	−0.55
US	5.17	+1.15	-

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Mar 24	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	94.6734	9.12	+0.23	−0.26	+4.10
Poland	07/04	7.125	BBB–	103.1094	6.40	+0.09	+0.57	+1.33
Russia	06/07	10.000	n/a	27.2374	41.67	+1.21	+1.91	+36.54
LATIN AMERICA								
Argentina	09/27	9.750	BB	84.9763	11.55	−0.03	−0.54	+6.06
Brazil	05/27	10.125	B+	68.7500	14.84	+0.05	−0.18	+9.35
Mexico	05/26	11.500	BB	111.0000	10.29	+0.06	−0.57	+4.81
ASIA								
China	07/06	7.750	BBB+	101.5000	7.47	+0.05	−0.05	+2.38
Philippines	10/16	8.750	BB+	94.5000	9.40	+0.06	−0.47	+4.10
Thailand	04/07	7.750	BBB–	101.6250	7.48	+0.07	−0.35	+2.35
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB–	101.0925	8.16	+0.10	+0.69	+3.19
South Africa	10/06	8.375	BB+	96.9802	8.93	+0.05	−0.37	+3.82
Turkey	09/07	10.000	B	91.7103	11.56	+0.02	−0.60	+6.43
BRADY BONDS								
Argentina	03/23	5.750	BB	70.0000	9.09	−0.04	−0.17	+3.67
Brazil	04/14	5.000	B+	60.1250	13.95	+0.07	−0.28	+8.69
Mexico	12/19	6.250	BB	78.5000	8.47	+0.02	−0.38	+3.12
Venezuela	03/20	6.750	B+	66.1417	10.88	−0.15	−0.19	+5.51

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.04	94.95	+0.07	95.09	94.88	24,934	79,078

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
97	-	-	0.26	-	-	-
98	-	-	0.13	3.45	3.49	-
99	-	-	0.06	4.45	4.45	-
100	-	-	0.03	5.45	5.45	-

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a

Germany

NOTIONAL EURO BUND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.06	113.99	+0.09	114.16	113.89	321,114	517,438
Sep	114.23	114.25	+0.17	114.25	114.23	1,205	2,767

NOTIONAL EURO BUND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106.80	106.84	+0.11	106.94	106.77	155,220	212,085

NOTIONAL EFS SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.34	101.27	+0.08	101.34	101.34	150	64

NOTIONAL EFS SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		100.61	-			0	367

Also traded on APT. All Open interest figs. are for previous day.

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.35	113.27	+0.04	113.45	113.20	6889	34688

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	97.78	97.87	−0.06	98.00	97.61	13,752	17,052

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		108.57	−0.14			0	83
Jun		108.28	+0.05			0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.68	116.44	−0.11	116.90	116.41	328	5612
Jun	117.25	117.03	−0.12	117.80	116.90	44361	77368

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11650	1.59	2.18	1.06	2.05
11700	1.31	1.95	1.28	2.32
11750	1.05	1.72	1.52	2.59
11800	0.82	1.52	1.79	2.89
11850	0.64	1.33	2.11	3.20
11900	0.49	1.16	2.46	3.53

Est. vol. total, Calls 530 Puts 83. Previous day's open int., Calls 16788 Puts 16701

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	121–10	121–12	−0–12	121–21	121–08	291,643	609,205
Sep	120–28	120–30	−0–02	121–07	120–28	1,438	22,298
Dec	120–30	-	-	-	-	10	-

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	131.00	130.99		131.10	130.93	889	na
Sep		129.99				0	na

Euro

€ BOND FUTURES (MATIF) £100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	107.20	106.72	−0.28	107.20	107.20	1	20

US CORPORATE BONDS

Mar 23	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	104.4425	5.73	−0.04	+0.22	+5.73
NY Tel	08/25	7.00	A+	98.7695	7.10	-	+0.12	+1.54
CWE	05/08	8.00	BBB	112.1404	6.23	−0.01	+0.15	+1.04
FINANCIALS								
GECC	05/07	8.75	AAA	117.7314	5.86	−0.01	+0.07	+0.77
Banc One	08/02	7.25	A	104.1695	5.84	−0.04	+0.11	+5.84
CNA Fin	01/18	6.95	A–	93.6436	7.56	−0.01	+0.47	+2.00
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0091	5.42	−0.07	−0.49	+0.93
Wal Mart	05/02	6.75	AA	103.7123	5.44	−0.04	+0.26	+5.44
Dayton Hud	06/21	9.70	A–	131.6777	6.87	−0.01	+0.24	+1.31
AGENCIES								
FHLMC	04/07	7.14	N/A	108.8045	5.74	-	+0.12	+0.65
SLMA	03/00	7.50	N/A	102.1923	5.11	−0.02	−0.01	+0.62
FNMA	02/18	8.95	N/A	131.3546	6.12	−0.01	+0.17	+0.56
FFCB	06/06	8.95	N/A	118.7938	5.72	-	+0.18	+0.53
HIGH YIELD								
Stone Cont	02/01	9.88	B	100.5000	0.00	-	-	-
AK Stl	12/01	9.13	BB–	105.7500	0.00	-	-	-
Pacalta	06/04	10.76	B–	96.0000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

INTERNATIONAL BONDS

Mar 24	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
$								
EIB	04/07	7.250	AAA	108.7901	5.85	−0.02	+0.08	+0.72
ABN Amro	05/07	7.125	AA–	104.4228	6.41	−0.03	+0.03	+1.28
Quebec	01/07	7.000	A+	105.8480	6.05	−0.02	−0.10	+0.92
Citicorp FRN	02/04	5.000	A–	99.3785	5.21	−0.04	−0.42	+0.14
C$								
Bayer L-Bk	08/04	8.500	AAA	117.6041	5.62	−0.02	−0.08	+0.23
Toronto (M of)	05/04	8.500	AA+	112.7399	5.57	−0.05	+0.01	+0.16
Bell Canada	07/09	10.625	A+	101.3971	6.40	−0.07	−0.09	+1.27
Deutsche B FFN	09/02	5.875	AA+	100.7980	5.63	−0.03	−0.06	+0.36
£								
EIB	12/07	7.625	AAA	116.1700	5.26	+0.01	+0.19	+0.55
Dresdner Bk	12/07	7.750	AA–	111.8958	5.96	−0.02	+0.11	+1.25
British Gas	03/00	7.625	A+	102.0400	5.48	-	−0.06	+0.86
Abbey Nat FRN	02/02	5.687	AA	100.0292	4.88	+0.01	+0.03	+0.16
SFR								
EIB	01/08	3.750	AAA	104.1040	3.21	-	+0.03	+0.95
Brit Columbia	02/02	3.250	AA	103.6743	1.93	−0.02	+0.03	+0.27
Hydro–Quebec	06/01	6.750	n/a	108.5823	2.58	−0.03	+0.04	+1.04
Gen Elect.	09/01	1.250	n/a	99.6624	1.63	−0.03	+0.03	−0.01
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.0436	0.49	+0.02	−0.01	-
Spain (Kingdom)	03/02	5.750	AA	116.4750	0.51	+0.02	−0.06	+0.02
Cred Foncier	08/02	4.750	A	112.4712	0.86	+0.02	−0.06	+0.47
Italy (Rep of)	07/99	0.516	AA	100.0398	0.16	−0.09	−0.13	+0.02
A$								
IBRD (World Bk)	02/08	6.000	AAA	102.6106	5.82	−0.12	−0.14	+0.32
Nw Sth Wales Tr	05/06	6.500	n/a	104.8308	5.66	−0.13	−0.11	+0.37
S. Aus Gov Fin	06/03	7.750	AA	107.7409	5.84	−0.12	−0.14	+0.58
GMAC Aust	05/01	9.000	n/a	105.9431	5.47	−0.11	−0.17	+0.58

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	4.98
Broker loan rate	6½	Two month	-	Three year	5.00
Fed.funds	4⅞	Three month	4.52	Five year	5.07
Fed.funds at intervention	-	Six month	4.58	10-year	5.16
		One year	4.66	30-year	5.53

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Wed Mar 24	Day's chge %	Accrued interest	xd adj ytd	Total Return	Yield	Duration Years	% Weight
1 Up to 5 years (16)	121.07	+0.01	1.86	2.25	1208.30	4.74	2.28	34.14
2 5-10 years (11)	170.61	−0.09	3.35	1.06	1320.01	4.67	5.84	29.42
3 10-15 years (7)	183.56	−0.14	1.64	2.66	1445.29	4.64	8.89	13.42
4 5-15 years (18)	174.50	−0.08	2.84	1.53	1362.87	4.66	6.75	42.84
5 Over 15 years (4)	229.87	−0.16	3.20	1.23	1567.98	4.61	11.88	22.25
6 Irredeemables (4)	318.65	−0.13	3.37	2.21	1662.05	4.73	21.40	0.77
7 All stocks (42)	165.38	−0.07	2.55	1.88	1351.14	4.65	6.46	100.00

Yield Indices	Mar 24	Mar 23	Yr ago	Yield Indices	Mar 24	Mar 23	Yr ago
5 yrs	4.69	4.68	6.17	Irred †	4.73	4.73	5.98
10 yrs	4.64	4.63	5.94	Med. 15 yrs	4.65	4.63	5.89
15 yrs	4.63	4.62	5.88	High 15 yrs	4.73	4.73	5.98
20 yrs	4.63	4.62	5.87				

Coupon Bands: Medium, 8%-10¾%; High, 11% and over. † Flat yield. ytd Year to date.

UK Indices

Index-linked	Wed Mar 24	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	224.22	−0.02	1.10	1.26	1171.58	14.82
2 Over 5 years (9)	250.75	−0.10	1.38	2.15	1418.11	85.18
3 5-15 years (5)	242.85	−0.07	1.12	2.03	1315.84	42.71
4 Over 15 years (4)	277.42	−0.13	1.60	2.29	1513.39	42.47
5 All stocks (11)	254.04	−0.09	1.31	2.00	1382.86	100.00

Real yield	Inflation 0% Mar 24	Dur yrs	Mar 23	Yr ago	Inflation 5% Mar 24	Dur yrs	Mar 23	Yr ago
Up to 5 yrs	3.17	3.27	3.16	3.62	2.30	3.28	2.29	2.77
Over 5 yrs	2.01	13.29	2.00	3.10	1.80	13.39	1.79	2.88
5-15 yrs	2.08	9.65	2.07	3.20	1.79	9.69	1.78	2.86
Over 15 yrs	1.98	17.00	1.97	3.06	1.81	17.10	1.80	2.88
All Stocks	2.06	11.73	2.05	3.11	1.82	11.86	1.81	2.88

FT Fixed Interest Indices

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Yr ago	High*	Low*
Govt. Secs. (UK)	115.65	115.88	115.97	116.16	116.32	104.33	117.17	93.31
Fixed interest	154.36	154.37	154.52	154.91	154.91	141.01	158.45	115.32

 * for 1998/99. Government Securities high since compilation: 127.40 (1/9/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 158.45 (22/01/99), low 50.33 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Flg Rate 1999		-	-	100.0000	----	100.23	100.00
Exch 12¼pc 1999		12.25	5.32	100.0000xd	----	105.01	100.00
Treas 10½pc 1999		10.42	4.87	100.8149	−.0120	103.97	100.81
Treas 6pc 1999		5.97	4.81	100.4350	−.0002	100.50	98.64
Conv 10¼pc 1999		9.91	4.84	103.4656	−.0065	105.48	103.45
Treas 8½pc 2000	♣	8.25	4.81	103.0054	−.0187	103.54	101.81
Conv 9pc 2000		8.67	4.80	103.8084	−.0187	104.38	102.66
Treas 13pc 2000		11.79	4.81	110.2398	−.0326	113.50	110.24
Treas 8pc 2000		7.61	4.82	105.1267	−.0135	105.84	[illegible]
Treas Flg Rate 2001		-	-	100.7768	+.0003	100.82	100.17
Treas 10pc 2001		9.15	4.86	109.3386	−.0138	110.37	107.11
Conv 9½pc 2001	♣	8.64	4.89	109.8946	−.0138	110.89	106.73
Conv 9¾pc 2001	♣	8.80	4.88	110.7876	−.0138	111.80	107.58
Treas 7pc 2001		6.64	4.77	105.3888	−.0143	106.51	100.71
Exch 12pc 1999-2	♣	12.00	4.80	100.0000	----	103.86	100.00
Conv 10pc 2002	♣	8.73	4.81	114.5296	−.0160	116.41	110.98
Treas 7pc 2002		6.56	4.71	106.7118	−.0120	108.13	[illegible]
Conv 9½pc 2002	♣	8.35	4.82	113.7876	−.0160	115.64	[illegible]
Treas 9¾pc 2002		8.45	4.81	115.3956	−.0160	117.29	111.19
Exch 9pc 2002	♣	7.91	4.84	113.7866	−.0160	115.62	108.87
Conv 9¾pc 2003	♣	8.25	4.83	118.1496	−.0160	120.19	112.78
Treas 8pc 2003		7.11	4.88	112.5066	−.0282	114.74	106.58
Treas 10pc 2003		8.27	4.73	120.8673	−.0298	123.52	115.44
Treas 13¾pc 2000-3	♣	12.33	4.77	111.4716	−.0326	115.25	111.47
Treas 6½pc 2003		6.02	4.59	107.9424	−.0188	110.21	100.86
Treas 11½pc 2001-4		10.24	4.91	112.3187	−.0203	113.90	110.60
Treas 10pc 2004	♣	8.08	4.75	123.6953	−.0298	126.55	117.38
Five to Fifteen Years							
Funding 3½pc 1999-4		3.65	4.37	95.8809	−.2103	98.98	91.62
Conv 9½pc 2004		7.70	4.69	123.3318	−.0391	126.43	118.53
Treas 6¾pc 2004		6.10	4.57	110.7221	−.0375	113.28	102.86
Conv 9½pc 2005		7.60	4.72	124.9489	−.0633	128.16	117.64
Exch 10½pc 2005	♣	7.95	4.71	131.9949	−.0633	135.46	124.50
Treas 12½pc 2003-5		9.46	4.32	132.1483	−.0297	135.55	127.40
Treas 8½pc 2005		6.97	4.68	121.8706	−.0754	125.31	113.85
Conv 9¾pc 2006	♣	7.39	4.71	131.9744	[illegible]	[illegible]	[illegible]
Treas 7¾pc 2006		6.52	4.73	118.7996	−.1016	122.40	110.47
Treas 8pc 2002-6		7.28	4.85	109.9088	−.0836	111.73	104.86
Treas 7½pc 2006		6.38	4.70	117.6936	−.1029	121.62	108.33
Treas 11¾pc 2003-7	♣	9.47	4.30	124.0186	−.0160	[illegible]	119.81
Treas 8½pc 2007		6.76	4.72	125.6954	−.1225	129.86	116.89
Treas 7¼pc 2007		6.13	4.66	118.3373	−.1213	122.55	109.22
Treas 13½pc 2004-8	♣	9.71	4.66	139.0388xd	[illegible]	142.61	133.46
Treas 9pc 2008		6.74	4.61	133.5525	−.1452	138.52	123.05
Treas 8pc 2009		6.25	4.60	127.9868xd	−.1631	132.91	116.57
Treas 5¾pc 2009		5.21	4.52	110.3417	−.1783	114.67	99.36
Treas 6¼pc 2010		5.44	4.59	114.8477	−.1766	118.78	102.47
Conv 9pc Ln 2011		6.42	4.66	140.2944	−.2123	145.31	127.22
Treas 9pc 2012		6.32	4.69	142.4456	−.2158	147.74	128.50
Treas 5½pc 2008-12		5.08	4.42	108.2253	−.1570	112.26	96.82
Treas 8pc 2013		5.94	4.67	134.6971xd	−.1985	139.64	119.90
Treas 7¾pc 2012-15		[illegible]	[illegible]	[illegible]	−.2079	133.56	115.94
Over Fifteen Years							
Treas 8pc 2015		5.77	4.63	138.7277	−.2057	144.12	122.40
Treas 8¾pc 2017		5.82	4.65	150.2298	−.2609	156.08	131.97
Exch 12pc 2013-17	♣	6.76	4.65	177.5774	−.2123	183.80	160.54
Treas 8pc 2021		5.45	4.60	146.7807	−.2859	153.21	126.26
Treas 6pc 2028		4.81	4.48	124.7003	−.2079	131.17	102.84
Undated							
Consols 4pc		4.90	-	81.6013	−.3287	87.19	63.10
War Loan 3½pc		4.69	-	74.5798	−.2148	79.83	58.62
Conv 3½pc '61 Aft		4.04	-	86.5798	−.2148	95.68	75.62
Treas 3pc '66 Aft		5.16	-	58.1915	+.1550	61.33	46.25
Consols 2½pc		4.70	-	53.1915	+.1550	56.93	41.25
Treas. 2½pc		4.78	-	52.4993	+.3893	55.17	40.86

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
2½pc '99	♣	1.38	3.08	195.8408	−.0576	198.18	190.29
2½pc '01	(78.3)	2.52	2.99	203.0488xd	−.0576	206.40	197.11
2½pc '03	(78.8)	2.17	2.45	204.7091	−.0932	207.83	194.57
4⅝pc '04	(135.6)	1.85	2.07	132.8303	−.0295	134.39	125.70
2pc '06	(69.5)	1.61	1.77	235.1766	−.0611	236.05	209.90
2½pc '09	(78.8)	1.74	1.86	216.3027	−.1471	216.83	191.07
2½pc '11	(74.6)	1.81	1.92	229.4670	−.2226	230.17	200.35
2½pc '13	(89.2)	1.84	1.93	193.2343	−.2132	193.75	168.88
2½pc '16	(81.6)	1.82	1.90	214.2179	−.2361	214.87	180.96
2½pc '20	(83.0)	1.83	1.90	213.9760	−.3025	214.72	178.15
2½pc '24	(97.7)	1.79	1.85	186.2605	−.3070	187.13	148.72
4⅛pc '30	(135.1)	1.73	1.79	185.4492	−.2905	186.33	[illegible]

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for July 1998: 163.0 and for February 1999: 163.7

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.38	5.30	138⅞	+⅛	140⅞	129⅞
B'ham 11½pc 2012		7.40	5.65	155½	−3	158¾	144½
Leeds 13½pc 2006		9.25	-	146xd	----	152	141½
Liverpool 3½pc Irred		5.74	-	61xd	----	70½	53
LCC 3pc '20 Aft		5.36	-	56	----	59	48
Manchester 11½pc 2007		8.27	5.62	139	----	151¾	133½
Met. Wtr. 3pc 'B'		3.31	5.70	90½	−1⅛	95	85
N'wide Anglia 3⅞pc IL 2021		-	3.10	188⅞	+⅛	189⅞	172¼
4⅛pc IL 2024		-	3.15	180⅞	----	187½	162⅝

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective Real Index-Linked redemption yields are calculated by HSBC Greenwell from Gemma closing prices. ♣ Indicative price.

Nato bombing draws muted response

MARKETS REPORT

By Alan Beattie

Currency markets reacted with relative calm to the expected Nato bombing of Serbia, the main event of yesterday's London trading session.

Rising tension in the region caused the Greek drachma and eastern European currencies to fall. But analysts said the effect was muted compared to past episodes of military action.

The euro was little affected by the day's events, fighting back from an earlier fall to climb against the dollar. And even the widely expected rise in the safe haven Swiss franc against the dollar and euro was barely noticeable.

At the end of the London session yesterday the Swissie was at SFr1.458 against the dollar and SFr1.592 against the euro, both little changed from Tuesday.

■ The fall in the drachma was less than might have been expected because of the effect of Emu expectations, some analysts said.

"The big driving force on the drachma's spot rate recently has been the expectation of entry into European monetary union on the forward rate," said Tony Norfield, currency strategist at ABN-Amro in London. "So the tension over Kosovo has affected the spot rate less than might have been thought, since the forward rate is being determined by something else."

The drachma fell by about one per cent against the euro during London trading yesterday. But without the support from possible future Emu entry the fall could have been several times larger, Mr Norfield said.

The effect on Eastern European currencies was more severe, with the Czech koruna, Polish zloty and Hungarian forint all falling sharply against the dollar.

But with the Polish and Czech economies suffering the effects of sluggish growth in Europe and the continuing uncertainty to the east, their currencies were in a more precarious position, analysts said.

■ The star performer of yesterday's London session was sterling, which defied the gloomy predictions of many to power higher against the US dollar.

The dollar had a poor day against most other large currencies, as concerns over falls in US equity prices outweighed the safe haven status of the US currency.

But its fall against the pound was the most marked. Sterling, far from showing the break down through the $1.60 level which many have predicted, rose towards $1.65 yesterday before heavy selling forced it lower.

It closed at the end of London trading at $1.643 against the dollar and £0.665 against the euro.

The Bank of England was suspected by many of intervening to halt the pound's rise, the Bank's monetary policy committee having recently spoken of the threat to the economy if the currency remains high.

But one well-placed trader said a far more likely cause of the sterling sales was the protection of a large option with a $1.65 knock-out.

Several reasons were advanced for the initial rise in sterling. Reports of a possible sale of the One-2-One mobile phone operator could lead to an inflow of up to £11bn into the currency. But Mike Wallace of Standard and Poor's MMS said that there had been persistent rumours from the US of hedge fund interest in buying sterling.

"The most convincing explanation is good model-driven interest from a hedge fund," Mr Wallace said.

"With liquidity in the market thin because of the uncertainties over Kosovo, those large moves took place almost in a trading vacuum."

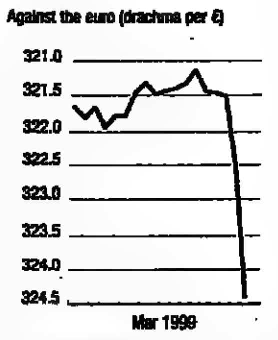
He added that the hedge fund interest in buying the pound was noted by traders in currency futures in Chicago as early as Tuesday.

Technical analysts confirmed that sterling had looked a good buy in recent days. "Tuesday's move completed the right shoulder of an inverted head and shoulders top," said Brian Marber, the independent technical analyst. "That signalled a rise against the dollar and I advised clients to buy."

But Mr Marber added that the declining three-month average meant that sterling was not invincible and positions should be tightly stopped.

Greek drachma

Against the euro (drachma per €)



Source: Datastream/ICV

■ POUND IN NEW YORK

Mar 24	— Latest —	— Prev. close —
£ spot	1.6415	1.6385
1 mth	1.6409	[illegible]
3 mth	1.6404	1.6375
1 yr	1.6435	1.6413

■ OTHER CURRENCIES

Mar 24	£	$
Czech Rp	58.1478 - 58.2458	35.4020 - 35.4400
Hungary	385.511 - 386.239	234.710 - 235.010
Iran	4930.50 - 4927.50	3000.00 - 3000.00
[illegible]	[illegible]	[illegible]
Peru	5.5730 - 5.5797	3.3930 - 3.3950
Poland	[illegible]	[illegible]
Russia	[illegible]	[illegible]
UAE	6.0324 - 6.0367	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Mar 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.7016	+0.1009	915 - 117	20.7190	20.5764	20.6597	2.4	20.5844	2.3	20.2741	2.1	102.4
Belgium*	(BFr)	60.6890	+0.2957	594 - 186	60.7400	60.3230	60.568	2.4	60.3454	2.3	59.4357	2.1	102.0
Denmark	(DKr)	11.1757	+0.0496	682 - 832	[illegible]	11.1132	11.1562	2.1	[illegible]	2.0	10.9768	1.8	105.3
Finland*	(FM)	8.9450	+0.0436	406 - 494	8.9530	8.8910	8.9268	2.4	8.8944	2.3	8.7603	2.1	80.9
France*	(FFr)	9.8685	+0.0481	637 - 733	9.8788	9.8089	9.8484	2.4	9.8126	2.3	9.6647	2.1	105.3
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria*	(Sch)	12.5990	-0.0277	975 - 022	12.6473	12.5586	12.5785	1.9	12.5387	2.0	12.3251	2.2	102.2
Belgium*	(BFr)	36.9360	-0.0813	312 - 447	37.0770	36.8200	36.8782	1.9	36.7529	2.0	36.1324	2.2	102.1
Denmark	(DKr)	6.8020	-0.0180	[illegible]	6.8281	6.7812	6.7929	1.6	[illegible]	1.7	[illegible]	1.8	104.5
Finland*	(FM)	5.4443	-0.0120	[illegible]	5.4648	5.4269	5.4355	1.9	5.417	2.0	5.3255	2.2	80.2
France*	(FFr)	6.0064	-0.0133	[illegible]	6.0290	5.9873	5.9966	1.9	5.9763	2.0	5.8754	2.2	104.7
[illegible]													

WORLD INTEREST RATES

MONEY RATES

[illegible]									

INTERNATIONAL CURRENCY RATES

[illegible]						

■ THREE MONTH EUROBOR FUTURES (MATIF) Paris Interbank offered rate

■ THREE MONTH EUROBOR FUTURES (LIFFE) €1m 100 - rate

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

■ EUROBOR OPTIONS (LIFFE) €1m 100 - rate

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100 - rate

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100 - rate

[illegible]							

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100 - rate

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
99000	0.050	0.070	0.045	0.290	0.430	0.705
99125	0.020			0.365		

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 3450 Puts 2560

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]																	

■ D-MARK FUTURES (CME) DM 125,000 per DM

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

■ STERLING FUTURES (CME) £62,500 per £

[illegible]							

UK INTEREST RATES

LONDON MONEY RATES

[illegible]						

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]						

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]						

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.620	2.12	2.60	2.94	0.52	0.98	1.39
1.630	1.46	1.95	2.41	0.80	1.37	1.81
1.640	0.88	1.53	1.71	1.22	1.86	2.25

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 1,264 Puts -

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.555	0.71	0.99	1.22	0.35	0.55	0.72
0.560	0.44	0.71	0.94	0.59	0.78	0.90
0.565	0.27	0.50	0.73	0.91	1.07	1.20

Previous day's vol., Calls 10 Puts 10 . Prev. day's open int., Calls 847 Puts 1,575

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.96	94.98	+0.01	94.97	94.94	69,662	465,262
Sep	94.84	-	-	94.86	94.80	104,748	464,711
Dec	94.47	-	-	94.50	94.42	20,476	343,524

■ US TREASURY BILL FUTURES (CME) $1m per 100%

Jun	95.69	95.68	+0.02	95.66	95.62	47	1,822

BASE LENDING RATES

[illegible]					

COMMODITIES & AGRICULTURE

Brent retreats from almost $14 a barrel

MARKETS REPORT

By Paul Solman

Brent blend crude oil inched close to $14 a barrel yesterday for the first time in over five months, before retreating on a round of profit-taking.

The benchmark May contract on London's International Petroleum Exchange spent much of the day at around $13.97 as the oil market showed optimism that Tuesday's deal between leading producers would bring real cuts in output.

However, in late trading Brent had fallen back to $13.50 a barrel, compared with Tuesday's close of $13.73.

The price has risen 40 per cent since mid-February on expectations that this week's meeting of the Organisation of Petroleum Exporting Countries would lead to a concerted effort to curb global oil production.

It has not closed above $14 since early October, and in December it fell to a 12-year low of under $10.

Analysts remained cautious about whether Tuesday's deal – which ratified an earlier agreement in the Hague and included members and non-members of Opec – would deliver the promised production cuts of 2.1m barrels a day.

"It remains to be seen how much the cutbacks will be and how long they will last," Mehdi Varzi at Dresdner Kleinwort Benson said yesterday.

Many oil producers failed to adhere to a similar agreement last year to cut 2.6m barrels a day.

"We should get some indication of whether the cuts will stick by the end of April," Mr Varzi said, adding that Dresdner Kleinwort Benson still expected Brent crude to average only $14 a barrel this year.

The May crude contract on the New York Mercantile Exchange also slipped back yesterday, trading at $15.20 a barrel in the afternoon against Tuesday's close of $15.51. The Nymex contract has surged 30 per cent in the past month.

Base metals prices were unable to repeat Tuesday's gains, with all but tin ending lower and three-month nickel sliding $135 to close at $5,135 a tonne.

In other metals news, Australia's largest gold mine at Kalgoorlie returned to full operation after being interrupted by Cyclone Vance. The mine had been shut down on Tuesday as a safety precaution because of heavy rain.

Robusta coffee prices bounced back through $1,500 a tonne on the London International Financial Futures and Options Exchange, the most actively traded May contract closing at $1,505 a tonne for a gain of $15 on the day.

Malaysian palm oil sales still subdued

By T.J. Tan in Kuala Lumpur

Export demand for Malaysian palm oil continues to be subdued, although some refiners report that Spain, Turkey and the UK are showing interest in increasing April and May shipments.

Recent sharp price falls have made palm oil, which trades at a premium to competing oils such as soya, more attractive to these buyers, according to the refiners. Since the start of this year the export price of refined palm olein has dropped $150 to $495 a tonne FOB for nearby shipment.

Shipments in March are likely to total less than 550,000 tonnes, according to Societé Générale de Surveillance (SGS), an international inspection and services firm, pegging exports during the first 20 days of this month at 461,000 tonnes.

Though higher than the 444,000 tonnes achieved in February, the March estimate is below the year-ago level of 661,000 tonnes.

Helping exports in March was exceptionally high demand from China, where processors are rushing to fulfil import quotas before they expire at the end of the month. They fear unused quotas would not be allowed to be transferred to the 1999-2000 marketing year.

China has not yet set quotas for 1999-2000, but Malaysian Palm Oil Research Institute officials believe it would continue to permit imports of 1.1m tonnes.

There has been talk that the level would be cut to 700,000 because China is trying to develop its oilseeds crushing and milling sector. This month, sales to China could exceed 110,000 tonnes, compared with 45,000 tonnes in February.

Other big buyers are Pakistan, the EU and India, although India's state-owned State Trading Corporation last purchased Malaysian palm oil more than a month ago, when it bought 12,000 tonnes of the product.

According to exporters, private sector traders in India are likely to buy about 90,000 and 40,000 tonnes of Malaysian and Indonesian palm oil respectively in March. SGS pegs Indian purchases of Malaysian palm oil at 57,000 tonnes for the first 20 days of the month.

The Saudi Arabian Vegetable Oil and Ghee Company and Egypt's Migop are reported to have also bought large quantities of Malaysian palm oil. The former bought 120,000 tonnes of the May-December contract and the latter a similar amount for shipment in May and June.

Concern that exports are unremarkable have weighed on Malaysian palm oil prices, as has the fact that importers are buying only when necessary amid predictions the harvest will climb substantially over the next few months.

Ivan Wong, a crop analyst, has predicted the harvest in March will rise 18 per cent from February's 562,000 tonnes. This year, Malaysian production is expected to rise 8 per cent to 9m tonnes.

However, Kumpulan Guthrie, a leading grower, says trees are recovering from the El Niño stress of last year and output would more likely be about 8.7m tonnes.

Defaults on contracts by Orbis, an Australian trading firm, after customers in India, Pakistan and China refused to honour purchases, have also affected the market. As much as 30,000 tonnes of palm oil of the April-June contract may be involved, say traders.

Newmont puts brave face on Batu Hijau prospects

The copper and gold mine is big in every way but price falls have cast doubt on whether it will make money, says **Sander Thoenes**

Newmont's new Batu Hijau copper and gold mine on an island east of Bali is big in every way. It is the world's largest mine in the making and it required initial capital expenditure of $1.9bn. However, the biggest thing of all is the question of whether or not it will make money.

The mine will have a starting capacity sufficient to process 142,000 tonnes of ore a day when Newmont begins testing the mills in September on the island of Sumbawa.

Rather than starting small and expanding, as did its competitor Freeport McMoRan in Irian Jaya, Newmont and its equity partners, Sumitomo Metal Mining and Mitsubishi Materials of Japan, are starting big.

"Scale was very important to get the optimum return on investment," said Wayne Murdy, corporate finance officer at Newmont's headquarters in Denver. "We can design for maximum efficiency from the start."

Of the $1.9bn up-front capital expenditure, $1bn is in loans from the Japanese Export Import Bank, the US Export-Import Bank and KfW, the German development bank, and $900m from the equity partners.

Since the project began, however, copper and gold prices have slumped. Batu Hijau, which means green stone, was planned assuming a copper price of $1 a pound: it is now at 62 cents.

Newmont has adjusted its mining plan five times, latterly on the assumption of an 80 cents price that would rise to 95 cents. But a further fall is forcing the company to think again. Analysts too are reassessing Newmont's ability to meet its loan repayments, which start in mid-2001, or earlier if the the mine is up and running.

Richard Ness, executive director at the mine, calculated before an audience of Indonesians earlier this year that, at 70 cents a pound, the mine would have a negative return on investment and a net present value of minus $1.1bn. Mr Ness later said this calculation factored in only price fluctuations, not the cost-savings Batu Hijau was implementing or a drop in smelter prices.

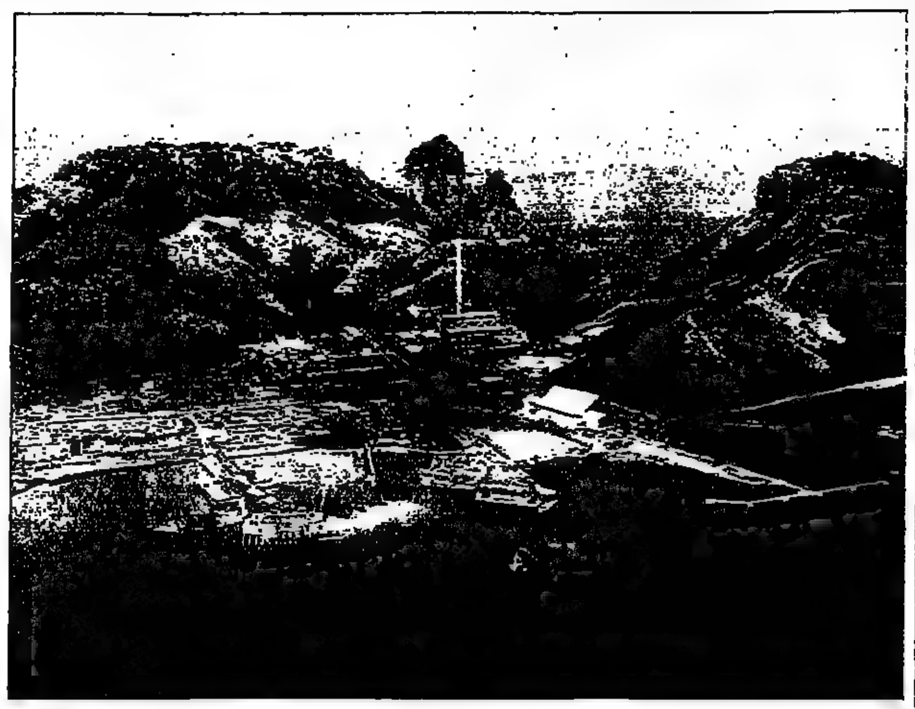
"We're right at the edge," insisted Mr Murdy, also using a 70 cent price assumption. "We think we can make it."

The mine holds 420 tonnes of gold at a grade of 0.314 grammes a tonne, and 5.9m tonnes of copper at 0.468 per cent. That is relatively low-grade and sensitive to a price slump. But the mine promises a high recovery rate of 93 per cent and is located only 15km from the Indian Ocean, which will keep transport costs relatively low.

Its copper cut-off grade is 0.3 per cent but Newmont will not say how much of its copper reserve can be processed profitably at 80 or even 70 cents.

Instead, Mr Murdy says the company is focusing on lowering the cash cost, which is targeted at 50 to 55 cents per pound and could have been 5 to 7 cents higher if not for a series of efficiency measures.

As prices dropped, Newmont opted to mine more and maximise throughput, sacrificing 1 per cent of recovery by raising processing from 120,000 tonnes to 142,000 tonnes a day.



Batu Hijau, or green stone, was planned assuming a copper price of $1 a pound; it is now at 62 cents

To ensure that the mine meets its target of cumulative positive cash-flow in the first five years, it also opted to stockpile more of the lower grade ore.

"We don't want anyone to think that stockpiling means we are abandoning the ore," said Dave Francisco, senior vice-president for international operations. "The price of copper is going to come back. We'll make money on that."

Mr Ness said the stockpiles had been relocated closer to the pit to minimise haulage charges, a major cost component. Newmont hired more expatriates than planned, with the aim of improving training to boost productivity. It aims to speed up replacement of expatriates with local staff in later years.

The company also delayed construction of administrative offices and houses, as well as purchases of trucks and shovels. The rupiah devaluation did little to reduce costs, however, as most are in dollars, while Newmont had agreed in advance to pay market rates for diesel, which is still subsidised in Indonesia.

Newmont assumes prices will rise, in part because the Asian economies should recover and also because some mines will have to close or reduce output.

"We've had some pleasant surprises," Mr Ness said. "Our operators are more productive than we expected. We're below budget. There will be a lot of mines going out of business before we do."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1240-1	1262-3
Previous	1244-45	1264-64.5
High/low		1263/1250
AM Official	1231.5-2.0	1252-2.5
Kerb close		1256-7
Open int.	284,456	
Total daily turnover	65,565	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1111-6	1136-7
Previous	1114-19	1135-38
High/low		1140/1130
AM Official	1115-7	1133-5
Kerb close		1135-7
Open int.	9,211	
Total daily turnover	2,807	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	513-4	514-5
Previous	513-4	513-4
High/low		514/510
AM Official	506-8.5	510-10.5
Kerb close		513-4
Open int.	36,586	
Total daily turnover	9,300	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5055-65	5130-35
Previous	5190-200	5260-70
High/low		5190/5075
AM Official	5045-50	5105-10
Kerb close		5135-40
Open int.	73,623	
Total daily turnover	24,048	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5355-65	5305-10
Previous	5395-405	5345-50
High/low		5330/5280
AM Official	5340-50	5290-300
Kerb close	[illegible]	[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne) [illegible]

■ COPPER, grade A ($ per tonne) [illegible]

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild) [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	283.9	-0.5	283.6	283.6	6	-
Apr	284.1	-0.6	285.2	283.7	35,491	55,304
Jun	286.2	-0.6	287.4	286.1	12,137	51,300
Aug	288.3	-0.6	289.2	288.5	165	9,246
Oct	290.2	-0.7	-	-	416	2,997
Dec	292.1	-0.7	293.5	292.0	449	15,336
Total					49,762	174,143

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	373.1	-2.8	378.9	372.8	1,620	9,727
Jul	374.9	-2.3	377.8	374.5	1,349	6,222
Oct	375.6	-2.3	377.5	377.5	5	1,114
Total					3,108	19,169

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	357.50	-0.25	357.50	357.50	4	43
Jun	355.50	-0.25	356.25	355.00	67	2,489
Sep	350.60	-0.25	355.00	355.00	-	209
Total					71	2,682

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	507.8	-3.5	509.0	509.0	94	579
May	507.5	-3.5	511.5	505.0	11,116	39,603
Jul	510.1	-3.5	513.5	509.5	484	16,344
Sep	511.9	-3.5	516.0	513.5	15	3,541
Dec	513.2	-3.5	516.0	514.9	91	8,870
Jan	512.7	-3.5	516.0	516.0	-	14
Total					11,919	78,062

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	15.20	-0.31	15.63	15.08	62,449	152k
Jun	15.27	-0.23	15.62	15.15	28,110	93,059
Jul	15.27	-0.05	15.73	15.20	12,156	47,783
Aug	15.19	-0.17	15.58	15.10	4,645	25,146
Sep	15.13	-0.17	15.50	15.12	1,577	20,700
Oct	15.14	-0.10	15.44	15.14	1,174	16,799
Total	[illegible]					

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS IPE [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.10	-0.40	74.50	74.25	101	3,076
Jul	76.75	-0.50	76.76	75.75	74	1,873
Sep	75.00	-0.50	-	-	-	178
Nov	76.75	-0.50	77.50	76.75	103	2,997
Jan	78.76	-0.50	-	-	-	508
Mar	80.75	-0.50	81.25	81.25	1	83
Total					279	8,714

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	269.75	-3.00	278.00	269.00	3,928	42,601
Jul	280.00	-2.75	289.00	279.00	8,097	54,115
Sep	290.75	-3.25	297.50	290.00	879	6,032
Dec	305.75	-2.00	311.00	305.50	1,611	11,208
Mar	315.50	-0.50	321.00	315.50	33	2,676
Total					14,880	116,777

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	228.00	-0.60	230.75	227.00	29,836	130,963
Jul	234.25	-0.50	236.75	233.50	11,758	106,177
Sep	239.00	-0.75	241.75	238.50	1,985	24,615
Dec	246.50	-0.75	248.75	246.00	8,839	78,389
Mar	253.50	-0.50	255.50	253.00	1,450	12,191
May	257.25	-0.60	258.00	257.00	133	1,045
Total					54,182	358,656

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	76.25	-0.25	-	-	-	163
Sep	73.75	-0.25	-	-	-	35
Nov	76.00	-0.25	-	-	-	375
Jan	78.00	-0.25	-	-	-	20
Mar	80.00	-0.25	-	-	-	-
Total					-	593

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	487.75	-6.50	502.00	486.00	29,594	63,257
Jul	496.25	-6.50	510.50	495.00	8,506	44,649
Aug	498.75	-6.50	513.00	498.25	363	14,997
Sep	500.25	-6.50	514.00	500.00	421	6,757
Nov	508.50	-6.50	522.50	507.50	4,834	31,081
Jan	518.50	-6.75	532.00	517.00	124	1,425
Total					43,849	164,336

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne) [illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point) [illegible]

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	808	-12	810	806	28	642
May	812	-12	819	808	1,376	48,013
Jul	828	-11	835	[illegible]	[illegible]	[illegible]
Sep	845	-11	854	841	1,579	27,522
Dec	870	-11	878	867	930	27,033
Mar	891	-12	897	[illegible]	[illegible]	[illegible]
Total					6,042	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1184	-3	1201	1182	5,138	28,776
Jul	1208	-1	1225	1208	1,640	15,139
Sep	1232	+1	1242	1232	208	8,691
Dec	1267	-	1280	1267	19	6,060
Mar	1303	-	1311	1307	[illegible]	[illegible]
Total					7,098	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Mar 23	Price	Prev. day
Daily	946.67	929.21

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1690	-30	1729	1691	395	3,058
May	1505	+15	1506	1488	2,554	30,499
Jul	1512	+13	1515	1495	1,718	14,159
Sep	1522	+14	1517	1510	172	5,755
Nov	1525	+15	1522	1512	80	1,762
Jan	1523	+13	1520	1516	22	456
Total					4,942	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	101.90	+0.95	102.90	101.00	7,285	25,497
Jul	103.55	+0.80	104.40	102.90	1,774	9,465
Sep	105.35	+0.75	105.90	105.00	806	5,804
Dec	106.85	+1.15	107.50	106.50	296	2,988
Mar	108.30	+0.80	108.40	108.25	83	854
Total					10,046	44,711

■ COFFEE (ICO) (US cents/pound)

Mar 23	Price	Prev. day
Comp. daily	86.10	86.24
15 day average	88.89	89.16

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	66.625	-0.775	67.750	66.600	4,782	41,912
Jun	63.850	-0.625	64.750	63.750	2,527	40,455
Aug	62.325	-0.525	63.175	62.275	1,082	17,460
Oct	64.475	-0.175	64.950	64.275	428	10,821
Dec	66.300	-0.300	66.625	66.250	173	4,650
Feb	67.800	-0.350	68.100	67.900	81	1,495
Total					9,083	117,244

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	43.625	-0.400	44.950	43.450	4,450	9,447
Jun	55.450	-0.250	56.700	55.150	3,149	14,882
Jul	56.550	-0.075	57.400	56.150	345	5,372
Aug	56.750	-0.275	57.400	56.500	1,098	4,866
Oct	54.650	+0.075	55.150	54.780	552	5,743
Dec	55.275	+0.125	55.450	55.100	305	2,987
Total					10,881	43,979

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	55.000	-0.350	55.700	55.000	15	68
May	55.375	-0.625	57.100	55.000	2,0[illegible]	3,328
Jul	56.200	-0.525	57.600	55.750	385	1,260
Aug	54.800	-0.850	56.350	55.000	45	399
Total					2,493	5,055

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1250	37	66	36	48
1300	18	43	67	75
1350	8	27	106	108
■ COPPER (Grade A) LME	May	Aug	May	Aug
1450	37	79	53	73
1500	20	58	85	100
1550	9	41	125	133
■ COFFEE LIFFE	May	Jul	May	Jul
1550	192	27	1	72
1600	142	14	1	109
1650	92	8	1	153
■ COCOA LIFFE	May	Jul	May	Jul
800	31	55	19	27
825	11	30	49	52
850	6	22	69	69
■ BRENT CRUDE IPE	May	Jun	May	Jun
1300	85	-	20	-
1350	46	75	40	55
1400	25	-	58	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.14-3.22	-0.275
Brent Blend (dated)	$13.28-3.36	-0.285
Brent Blend (May)	$13.57-3.65	-0.265
W.T.I.	$15.21-5.24x	-0.425

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Unleaded Gasoline ‡	$147-150	+4
Gas Oil	$125-126	-1
Heavy Fuel Oil	$61-62	
Naphtha	$124-126	
Jet fuel	$137-138	-2
Diesel	$132-133	-2.5

■ NATURAL GAS (Pence/therm) [illegible]

■ OTHER [illegible]

PULP AND PAPER

■ PULPEX OMLX [illegible]

INDICES

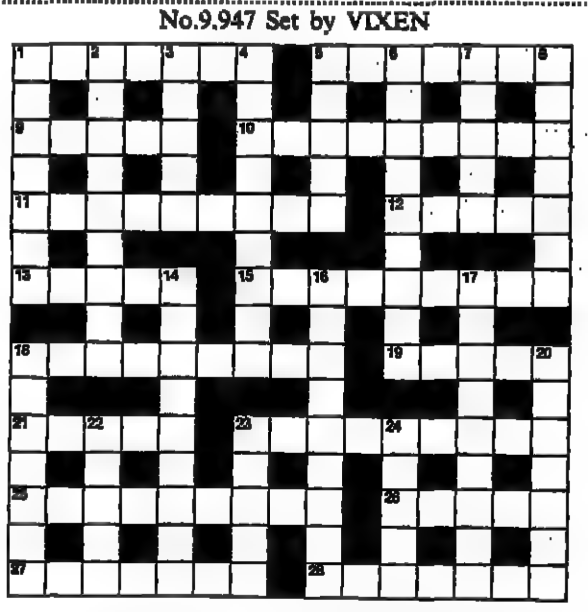
[illegible]

VOLUME DATA [illegible]

JOTTER PAD

CROSSWORD

No.9,947 Set by VIXEN



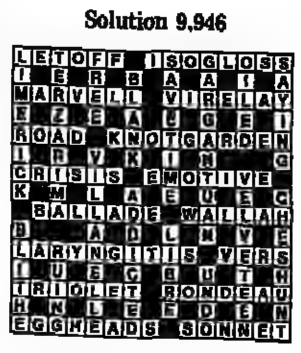
ACROSS

1 This plant can give some trouble, note (7)
5 Old lady getting fare pledge (7)
9 Precocious youngster playing endlessly (5)
10 A number enter new craft and show a certain agility (9)
11 Soldiers forcibly recruited might well be subdued (9)
12 Concerning the first female magistrate (5)
13 One doesn't have to have them! (5)
15 Very green, but a good mixer (9)
18 Veronica is fly – and quite rightly (9)
19 Some of the local eighteen-year-olds hang around in town (5)
21 The twister's salary (5)
23 Issuing it, Germans may appear disconcerted (9)
25 Surveys rail-transport when there's complaint made (3-6)
26 Come to a stop, the way everybody should do (5)
27 Drawing of an Indian city with dark frame (7)
28 Taken from the newspapers say (7)

DOWN

1 The swine with a club – a chunk of metal (3-4)
2 Horological work to date only part written (9)
3 He sees point in backing Ireland (5)
4 Impudence that is about personal support for a woman (9)
5 Many study from fear (5)
6 Force change after getting accepted by division (9)
7 There's cheerfulness shown about second-rate plot of land (5)
8 Characteristic consideration (7)
14 Drink provided for a bird in a store display (4,5)
16 Having to make a cut without queen suffering (9)
17 Dispose of oriental fruit, holding up brown one (9)
18 Defer pay-out if America intervenes (7)
20 Debates about price-fixing (7)
22 Negotiating a rise in Germany (5)
23 Army sergeant major going about his business? (5)
24 A bluff upstanding moralist (5)

Solution 9,946



For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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Gartmore Fund Managers Intl Ltd (z)

PO Box 278, 45 La Motte St, Jersey 01534 [illegible]

Gartmore Capital Strategy Fund Ltd

[illegible]

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

PO Box 657, New Street, St Helier, Jersey 01534 604814

[illegible]

Lloyds Bank (CI) U/T Mgrs.

PO Box 311, St Helier, Jersey 01534 284342

[illegible]

Lloyds TSB Fund Managers (CI) Ltd

PO Box 536, St Helier, Jersey 01534 [illegible]

Lloyds TSB Offshore Funds Limited

[illegible]

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 01534 [illegible]

[illegible]

Newton Fund Mgrs (CI) Ltd (1200)F

PO Box 348, St Helier, Jersey JE4 8UH 01534 [illegible]

Newton Universal Growth Funds

[illegible]

Royal Bank of Scotland Fund Managers (CI) Ltd

Caribbean Portfolio Selection Funds Limited

[illegible]

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

[illegible]

SG Hambros Fund Managers (Jersey) Ltd

[illegible]

Standard Bank Fund Mgmt (Jersey) Ltd

[illegible]

WMB Asset Management (Jersey) Ltd

[illegible]

Worldinvest (Managers) Jersey Ltd

[illegible]

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (u)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

هكذا من الأصل

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DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emg Asia		23½		30½	13½	–	–	–
Atlanta Japan Gwth Fd		359¾	-11½	380	158	–	467.7	23.1
Warrants		18¾	-7¾	25¾	1¾	–	–	–
Baring Emrg Euro	♣	93¼	-2¾	118	55	–	112.4	17.0
Warrants		48	-1¼	67½	29¾	–	–	–
Brazilian IT		35	-¼	61¼	19¼	3.3	–	–
Warrants		8¼	-¼	30¾	[illegible]	–	–	–
Central Euro Gwth	♣	38¾	-¼	85½	36¾	–	47.8	21.8
Warrants		6¼		11¾	0¼	–	–	–
East German		12¾		14	5½	–	20.6	38.1
Egypt Trust $		695	-20½	859¼	567½	–	–	–
F&C Latin American $	♣	93½	-2½	128¼	48	2.3	103.7	19.6
Warrants		30	-½	75	16¾	–	–	–
1st Russian Frontiers $	♣	228	-4½	1025	160	–	369.6	38.0
Warrants		67½	-3½	550	30	–	–	–
Warrants B		42½	-3½	510	15	–	–	–
Five Arrows Chile		104½	-1½	111½	88¾	–	147.1	29.0
Warrants		1		4½	0¼	–	–	–
Uts Cv Uns Ln 2040		112	-¼	140½	83¼	–	–	–
Govett Asian Smlr	♣	77	-1½	98	31	0.9	96.6	20.3
Henderson Sth Asian Co.	♣	28½	-¼	37¼	15½	0.7	37.8	29.7
Warrants		3¼		7½	1½	–	–	–
Indonesia Fund		129¼	-1	138	123¼	–	–	–
Warrants		8		8¼	7½	–	–	–
Israel Fund $		60	-½	82¼	39¾	–	65.7	8.7
Korea-Europe $	♣	215¾		222½	95½	0.8	251.2	14.1
Korea Liberal $		118½		131	73¼	–	181.4	34.1
Warrants		15¼		15¾	12	–	–	–
Lazard Birla India	♣	38¼	-½	38¼	22½	–	52.7	27.2
Warrants		8		9	3¼	–	–	–
Schroder Korea Fd $	♣	352½		376¼	141¾	–	–	–

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred

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LONDON STOCK EXCHANGE

Equities resist global pressures but close lower

MARKET REPORT

By Peter John

The UK equity market had a mountain to climb yesterday, with Europe on a war footing. Pacific basin markets gurgling down a plug hole and Wall Street off more than 200 points.

It was not surprising that Footsie started the day heading smartly down the valley instead. The index was off more than 90 points and below 6,000 after the first hour of trading.

In fact, the prospect of Nato's first attack on a sovereign state in its 50-year history was more of a talking point than a genuine reason to mark the indices lower.

European strategists said that while some of the markets closer to Kosovo were sold lower, and Germany was off 2 per cent in early trading, Wall Street remained the dominant feature.

Equally, heavy selling in Japan and other far eastern markets partly reflected technical selling ahead of the financial year and a political incident in Japanese waters. But the overriding concern was the slide by the Dow Jones Industrial Average on Tuesday night.

It looked as if the trend might continue ahead of the FOMC rate-setting meeting next Tuesday. The Dow tried to go higher during the last two hours of UK trading but was heading back into the red when London closed. And after-hours selling in the Footsie future signalled another weak start today.

Nevertheless, Footsie resisted the global pressure as best it could. It fought back from the lows throughout the day and closed 43.8 lower at 6,016.7.

And while the blue-chip index tends to be sold more heavily than the second-line stocks when there is heavy global pressure, it remained more or less in line with them yesterday. The FTSE 250 fell 40.1 to 5,435.5 while the SmallCap lost 13.1 at 2,392.0.

There was continuing support for P & O following Tuesday's restructuring news and signs that classic defensive stocks, such as utilities and food retailers, were back in favour.

And David McBain of BT Alex Brown points out that the prospect of a bumper year for returns of capital to shareholders is still intact and pension funds still have an unusually large amount of money sloshing around in bank accounts earning very little interest.

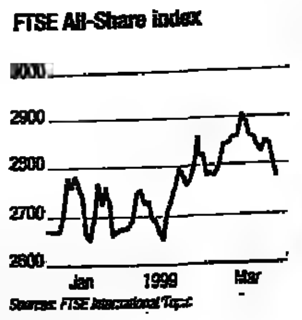
"So far this year, companies have announced the return of £10bn worth of capital to their shareholders and by the end of the year this could amount to £20bn."

That would be double last year's figure. Throw in £25bn for the effect of cash takeovers, and even allowing for rights issues and flotations, BT Alex Brown estimates £36bn will be sucked out of the UK market this year.

For many investors, the question is when to start putting some of that cash back in and the answer is likely to be provided by the next base rate cut.

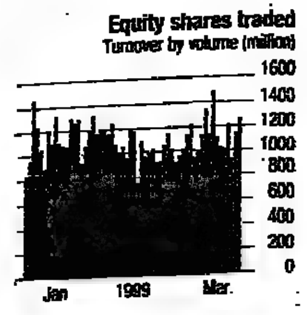
Today the Confederation of British Industry will provide a pointer with the latest industrial trends survey. The surveys have become slightly more optimistic over the past few months but the bias is expected to remain pessimistic. Turnover by 6pm hit 1.25bn shares with the balance back in favour of Footsie stocks.

FTSE All-Share index



Sources: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	6016.7	−43.8
FTSE 250	5435.5	−40.1
FTSE 350	2876.1	−21.0
FTSE All-Share	2787.66	−20.10
FTSE All-Share yield	2.7	2.69
FT 30	3686.8	−16.5
FTSE Non-Fins p/e	24.26	24.43
FTSE 100 Fut Mar	6024.0	−27.0
10 yr Gilt yield	4.67	4.68
Long gilt/equity yld ratio	1.75	1.73

Best performing sectors

1	Extractive Industries	+3.1
2	Gas Distribution	+3.0
3	Retailers: Food	+2.3
4	Water	+1.3
5	Utilities	+1.1

Worst performing sectors

1	Oil Exploration & Prod	−3.1
2	Alcoholic Beverages	−2.6
3	Leisure & Hotels	−2.4
4	Retailers: General	−2.0
5	Electronic & Elect Equip	−1.9

Food is back in flavour

COMPANIES REPORT

By Simon Bernholt and Joel Kibazo

Food retailers rose in a falling market as dealers speculated that a big European investment house was poised to turn positive on the sector.

There were suggestions that ABN Amro had prepared a sector review and that it was at the publisher's last night.

ABN was unavailable for comment but it might have been influenced by the stark underperformance of some of the leading companies. For example, **Sainsbury**, the second worst performer in the FTSE 100 this year, has underperformed the FTSE All-Share by 27 per cent. Yesterday, the shares bounced 20 to 390p, encouraged by revived rumours that Ahold of the Netherlands could be keen to bid.

Recent good figures from **Iceland**, unchanged at 283½p, and **Morrison**, down 3½ to 316½p, and the 14 per cent underperformance of the sector in the first quarter were all helping to shift sentiment.

Dresdner Kleinwort Benson and Morgan Stanley Dean Witter are among brokers who have turned positive on the stock in the past few weeks.

There was also brisk trade of 36m in **Tesco**, up 4½ to 170½p, as traders digested news of its Korean joint venture, and 30m in **Asda**, up 2½ to 153½p.

The much-predicted restructuring of the UK telecommunications sector appeared to be under way with confirmation that mobile operator One-2-One is likely to be put up for sale by joint owners **Cable & Wireless** and **MediaOne**, the US group.

A statement from the companies said they were "exploring strategic alternatives" regarding their ownership of One-2-One. The two possible routes to disposal being considered were "an initial public offering or a potential strategic sale of all or part of the company".

The news helped C&W jump 12½ to 743p, in trade of 10m, with dealers predicting a sale price of between £6bn and £11bn for the cellular company.

C&W appointed Merrill Lynch to advise on the sale while Lehman Brothers will act for MediaOne.

Last year C&W indicated it was committed to spending $1bn over five years to maintain and expand the internet business it acquired from US group MCI which later merged with WorldCom.

If floated, One-2-One would be expected to join the growing list of FTSE 100 telecom constituents.

Commerzbank has turned more positive on the stock shifting its recommendation from "sell" to "hold".

It says: "Having fallen to 21 per cent below our estimated sum of the parts of 899p, it's clearly better underpinned on fundamentals."

In the rest of the sector, **Securicor**, the subject of recent broker recommendations continued to move ahead. The shares gained another 6½ to 579½p, while **Vodafone**, the UK's biggest mobile operator, declined 7 to £10.21 with 14m dealt.

Profit-taking in building and home improvements products manufacturer **Caradon** made it the worst performer in the FTSE 250 after it announced the disposal of its UK steel lintels business to **British Steel** for £13.6m. Shares in the former closed 9½ off at 127½p while those of the latter eased ½ to 124p.

A two-way pull in engineering group **LucasVarity**, currently in the middle of an agreed bid from TRW of the US, left the shares unchanged at 286p.

The group reports figures today but dealers indicated investors were unlikely to pay too much attention to the actual numbers and will instead be looking to see the impact of the General Motors strike on auto component suppliers.

BT Alex Brown expects a 5 per cent advance in profits to £346m.

The bid will see LucasVarity drop out of the FTSE 100 and attention has already turned to its possible replacement. The list of possible candidates includes information technology company **Sema Group** which rose 9 to 669½p, and healthcare group **Nycomed Amersham**, 8½ off at 485p.

Fans of **WH Smith** could hardly conceal their glee at the news that the high street retailer is to launch a free internet service with the support of **British Telecommunications** and US giant Microsoft. Investors sent the shares up 67½ or 11.4 per cent to 657½p, a new record for the stock and the best performance on the FTSE 250 yesterday.

The company said it was to offer a "fully-fledged portal with free net access and a wide range of education and entertainment content".

The news was a blow to Dixons whose shares have been powered over the last few months by Freeserve, its free internet service. The shares hit an all-time high on Monday but yesterday's retreat saw them relinquish 113 or 8.36 per cent to £12.39, the worst performer in the FTSE 100. BT fell 21 to 963p.

Broker recommendations helped to boost airports operator **BAA**. The shares ended 33 ahead at 675p as analysts pointed to the positive outlook for the group following a meeting with the company on Tuesday.

Dresdner Kleinwort Benson reiterated its positive stance while Credit Lyonnais was reported to have turned buyer having previously advised clients to sell the shares.

The market continued to celebrate **P&O's** plans to refocus its activities with a £2bn disposal programme. The shares were again the best performers in the FTSE 100, appreciating 56, or 6.5 per cent, to 916½p.

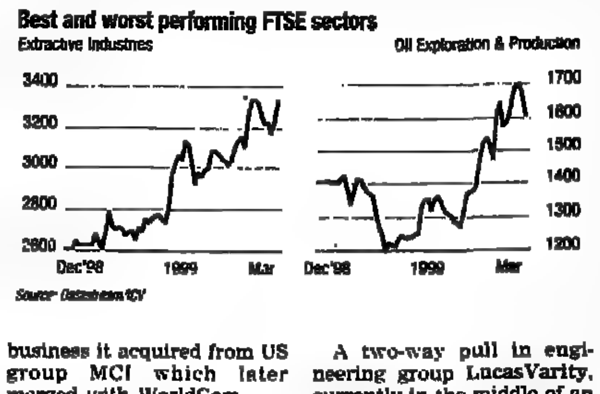
The long-awaited consolidation among UK casino operators moved a step closer as **Stanley Leisure**, up 10½ to 294p, offered 80p a share for **Capital Corporation**, up 8½ to 75p. Capital, whose shares have fallen from a high of 245p in 1996, announced last October it had received a number of bid approaches.

The deal between **PPL Therapeutics** and **Smith & Nephew**, up 5¾ to 156¾p, over the former's wound care technology helped the shares rise 5 to 112½p.

KS Biomedix, which announced the development of 14 antibodies for certain breast and lung cancers, rose 6½ to 322½p.

Biotech software provider **Oxford Molecular** rose 7 to 41p after a "buy" note from Townsley. Aim-quoted biotech stock **Stanford Rook** rose 5 to 176p after predicting at least one significant licence agreement this year at the results meeting.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Yr ago	*High	*Low
FT 30	3686.8	3703.3	3738	3753.4	3716.4	3790.2	4004.9	2790.6
Ord. div. yield	2.83	2.82	2.79	2.77	2.79	2.91	4.22	2.72
P/E ratio net	22.39	22.50	22.77	22.88	22.76	24.33	25.41	[illegible]
P/E ratio nil	22.33	22.44	22.71	22.82	22.70	24.11	25.18	15.71

FT 30 since compilation: high 4004.9 7/15.98 low 49.4 6/7/40 Base Date 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3703.3	3654.8	3684.9	3687.3	3683.8	3692.7	3700.8	3695.0	3705.9	3654.2

STOCK MARKET TRADING DATA

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Yr ago
SEAQ bargains	97,383	90,832	85,311	104,741	85,162	74,114
Equity turnover (£m)†	-	3478.9	4215.9	4277.6	4275.0	3395.1
Equity bargains†	-	65,123	69,923	56,033	62,705	67,072
Shares traded (m)†	-	917.1	963.4	869.8	950.7	872.1
Total market bargains‡	-	78,956	79,401	92,104	75,142	-
Total turnover (£m)‡	-	6474.4	5221.5	5860.7	5315.9	-
Total shrs traded (m)‡	*1285.8	1390.6	1149.7	1152.7	1167.1	-
Tradepoint turnover (£m)	43.9	35.9	16.1	37.1	27.1	31.4
Tradepoint shrs traded(m)	12.1	13.2	7.6	11.6	6.8	[illegible]

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	326	Total Highs	27	Total contracts	33,045
Total Falls	1,253	Total Lows	36	Calls	17,503
Same	1,280			Puts	15,542

Mar 24 *Data based on Equity shares listed on the London Share Service

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6030.0	6044.0	-58.0	6078.0	6006.0	34591	168180
Sep		6098.0	-58.0			0	3873
Dec		6138.0	-58.0			0	0

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		5437.0	-40.0			0	7380

FTSE 100 INDEX OPTION (LIFFE) (*6019) £10 per full index point — Mar 24

[illegible]																

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Mar 24

[illegible]																

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1998/99 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
-	F.P.	112.5	75½	69	M Cume Cap Rd	75½	+½	-	-	-	-
-	F.P.	202.5	90½	50½	M Cume Portfolio	82½	-½	-	-	-	-
-	F.P.	254.1	252½	231½	Morse Hldgs	252		-	-	-	-
-	F.P.	-	102½	100	Murray Sm Mk Pf	101½		-	-	-	-
-	F.P.	-	190	165	Murray Sm Mk Uts	185½	-1	-	-	-	-
-	F.P.	-	190	185	Murray Sm Mk B	188	-2½	-	-	-	-
-	F.P.	5.80	110½	107½	NSA Cascades	110		[illegible]	-	-	11.2
-	F.P.	11.2	188	58½	Sports Internet	125½	-4	-	-	-	-
	F.P.	-	145	124½	Systems	139½	-5	-	-	-	34.4

* Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service Notes.

FTSE GOLD MINES INDEX

	Mar 23	% chg on day	Mar 22	Year ago	Gross div yield %	Total return	52 week High	Low
Gold Mines Index (28)	895.69	−1.20	906.52	1057.95	2.08	903.63	1351.67	701.88
Regional Indices								
Africa (9)	983.04	−0.14	984.45	955.12	4.14	1010.89	1488.04	785.63
Australasia (9)	1120.43	−0.16	1122.27	1285.44	2.85	1134.89	1600.83	815.93
Americas (11)	827.90	−1.95	844.36	1078.21	0.89	831.00	1317.41	647.68

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Mar 24	Day's chge%	Euro Index	£ Stlg Mar 23	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6016.7	−0.7	7050.4	6060.5	5967.8	2.57	2.31	1.95	24.90	45.72	2583.77
FTSE 250	5435.5	−0.7	6369.3	5475.6	5544.4	3.18	2.85	2.07	19.12	35.10	2380.24
FTSE 250 ex Inv Tr	5490.2	−0.7	6433.4	5539.4	5580.4	3.27	2.96	2.14	17.86	35.78	2415.01
FTSE 350	2876.1	−0.7	3370.2	2897.1	2868.0	2.67	2.40	1.97	23.73	21.33	2821.98
FTSE 350 ex Inv Tr	2882.5	−0.7	3377.6	2903.4	2872.1	2.68	2.41	1.99	23.50	21.51	1348.02
FTSE 350 Higher Yield	2771.9	−0.8	3248.1	2793.2	2851.6	3.58	3.19	1.84	18.94	26.07	2173.63
FTSE 350 Lower Yield	2979.2	−0.7	3491.0	2999.8	2904.0	1.72	1.58	2.28	32.12	17.02	2193.52
FTSE SmallCap	2381.98	−0.6	2791.19	2395.10	2626.15	3.43	2.94	2.07	17.65	13.50	2116.29
FTSE SmallCap ex Inv Tr	2357.60	−0.5	2762.73	2369.55	2617.22	3.62	3.13	2.18	15.75	13.27	2118.40
FTSE All-Share	2787.66	−0.7	3266.57	2807.76	2795.85	2.70	2.42	1.98	23.34	20.44	2579.21
FTSE All-Share ex Inv Tr	2797.64	−0.7	3278.26	2817.65	2802.26	2.72	2.44	2.00	23.02	20.66	1331.91
FTSE Fledgling	1289.71	−0.6	1511.28	1297.81	1414.27	3.67	3.07	1.34	25.49	6.26	1459.61
FTSE Fledgling ex Inv Tr	1303.81	−0.6	1527.80	1311.54	1433.43	4.17	3.50	1.38	21.68	6.64	1484.18
FTSE All-Small	1347.46	−0.6	1578.94	1355.08	1483.96	3.48	2.97	1.91	18.86	7.41	1527.96
FTSE All-Small ex Inv Tr	1359.25	−0.5	1592.76	1366.33	1505.74	3.73	3.20	2.01	16.66	7.48	1553.07
FTSE AIM	850.9	−0.4	997.1	854.3	1058.7	1.29	1.08	30.00†	0.12	1.83	793.05

FTSE Actuaries Industry Sectors

	£ Stlg Mar 24	Day's chge%	Euro Index	£ Stlg Mar 23	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	4584.05	−0.6	5371.57	4613.24	4723.47	3.03	2.73	1.16	35.43	26.99	2153.35
12 Extractive Industries(6)	3333.31	+3.1	3905.96	3234.64	3145.42	3.82	3.57	2.02	16.21	69.75	1099.72
15 Oil Integrated(3)	5321.75	−0.9	6236.02	5370.91	5264.69	3.00	2.68	1.09	38.16	23.20	2586.20
16 Oil Exploration & Prod(9)	1608.69	−3.1	1885.29	1660.82	3348.32	1.64	1.58	‡	‡	7.97	1012.85
20 GEN INDUSTRIALS(186)	1960.98	−1.0	2297.87	1980.19	2247.35	3.50	3.20	2.40	14.88	18.66	1185.19
21 Construction(37)	1491.85	−0.8	1748.15	1503.36	1658.30	3.27	2.88	3.38	11.33	10.10	1363.24
22 Building Matls & Merchs(33)	1784.30	+0.2	2090.84	1781.58	1919.83	4.09	3.74	2.33	13.10	5.36	998.30
23 Chemicals(20)	2003.13	−0.4	2347.26	2011.25	2835.55	4.78	4.58	1.58	16.50	47.53	1087.39
24 Diversified Industrials(4)	1041.92	−0.2	1220.92	1044.33	1482.54	6.29	5.55	1.04	18.45	5.26	664.61
25 Electronic & Elect Equip(25)	3018.50	−1.9	3537.07	3076.20	2541.19	2.40	2.08	2.08	24.97	18.97	1703.18
26 Engineering(53)	2382.01	−1.2	2791.24	2410.10	3051.02	3.47	3.20	2.45	14.80	20.91	1581.72
27 Engineering, Vehicles(9)	4358.64	−1.4	5107.44	4422.36	3981.12	2.09	1.94	4.48	13.38	34.12	2447.11
28 Paper, Pckg & Printing(17)	1750.17	−0.3	2050.84	1754.99	2247.62	6.08	5.40	2.23	9.22	37.49	826.29
30 CONSUMER GOODS(83)	5726.38	−0.6	6710.15	5760.47	5647.75	2.32	2.22	1.91	28.20	44.07	2607.37
32 Alcoholic Beverages(6)	3514.14	−2.6	4117.90	3608.76	3969.76	3.10	3.08	2.33	17.31	47.14	1427.29
33 Food Producers(26)	3270.57	−0.2	3832.45	3276.14	3903.83	2.77	2.56	2.10	21.45	20.43	1612.67
34 Household Goods & Textiles(13)	1939.94	−1.4	2273.22	1967.90	3434.87	5.23	4.94	1.68	14.20	34.23	847.11
36 Health Care(14)	2488.68	+0.3	2916.23	2481.86	2358.55	2.12	1.95	2.11	28.03	2.45	1608.89
37 Pharmaceuticals(21)	10409.21	−0.3	12197.48	10444.14	9343.27	1.69	1.63	1.79	41.46	71.49	3775.71
38 Tobacco(3)	6754.83	+0.1	7915.29	6745.91	5150.99	4.73	4.44	1.46	18.09	43.60	1937.03
40 SERVICES(283)	3753.05	−0.9	4397.81	3788.56	3405.01	2.21	1.89	2.15	26.27	11.00	2084.40
41 Distributors(25)	1965.75	+0.5	2303.46	1955.50	2166.71	4.43	3.96	2.06	13.70	12.02	794.11
42 Leisure & Hotels(31)	3719.07	−2.4	4357.99	3809.21	3971.67	2.36	2.22	3.03	17.49	33.72	2145.56
43 Media(44)	5098.72	−0.9	5974.67	5145.46	4460.41	1.92	1.79	2.30	28.36	34.39	1961.58
44 Retailers, Food(13)	2551.08	+2.3	2989.35	2493.08	3079.21	3.58	2.88	2.17	16.08	4.57	1762.35
45 Retailers, General(41)	2274.83	−2.0	2665.64	2320.70	2454.50	3.24	2.67	2.10	18.36	6.15	1411.49
46 Telecommunications(9)	5716.76	−1.4	6698.88	5795.63	3748.71	1.52	1.24	1.63	50.47	4.51	2820.10
47 Breweries, Pubs & Restaurants	3709.17	−1.2	4346.40	3754.89	4296.51	3.39	2.76	2.20	16.74	16.80	1933.83
48 Support Services(69)	5064.25	−1.3	5934.27	5130.16	4690.63	1.21	1.10	2.92	35.49	5.04	3359.84
49 Transport(29)	3634.68	+0.9	4259.11	3602.81	3475.35	2.79	2.48	2.07	21.66	15.48	1648.23
60 UTILITIES(20)	3791.65	+1.1	4443.05	3751.64	3851.65	4.09	3.55	1.84	16.59	11.51	1850.13
62 Electricity(7)	4200.07	−0.1	4921.62	4205.30	4239.13	4.59	3.00	1.31	20.85	3.04	2514.54
64 Gas Distribution(2)	3129.99	+3.0	3667.71	3038.07	2900.55	2.02	1.79	2.71	22.92	0.00	1624.48
68 Water(11)	3113.63	+1.3	3648.54	3074.88	3501.32	5.39	4.97	2.25	9.87	24.10	1977.55
69 NON-FINANCIALS(592)	2825.47	−0.7	3310.88	2844.96	2762.59	2.65	2.37	1.94	24.26	15.32	2344.21
70 FINANCIALS(120)	5437.76	−0.8	6371.95	5480.79	5849.62	2.92	2.64	2.14	19.96	71.82	2579.90
71 Banks, Retail(12)	8457.75	−0.8	9910.76	8523.03	8503.32	2.90	2.59	2.22	19.38	129.67	3045.44
73 Insurance(31)	2216.48	−1.0	2597.36	2239.69	2786.82	3.10	2.95	2.14	18.83	29.54	1881.68
74 Life Assurance(6)	6508.97	−0.5	7627.19	6544.54	7667.65	2.91	2.77	1.98	21.73	65.30	2962.77
77 Other Financial(32)	4311.21	−0.9	5051.86	4350.06	4752.79	2.47	2.16	2.08	24.40	20.37	2676.15
79 Property(48)	1886.64	−0.9	2210.76	1903.28	2367.97	3.35	2.92	1.71	21.82	9.38	1263.65
80 INVESTMENT TRUSTS(118)	3778.49	−0.9	4427.62	3813.85	3962.83	2.21	1.86	1.17	46.37	20.37	1397.44
89 FTSE All-Share(830)	2787.66	−0.7	3266.57	2807.76	2795.85	2.70	2.42	1.98	23.34	20.44	2579.21
105 FTSE All-Share ex Inv Tr(712)	2797.64	−0.7	3278.26	2817.65	2802.26	2.72	2.44	2.00	23.02	20.66	1331.91
Information Technology	1793.30	−1.3	2101.38	1816.40	1477.57	0.51	0.45	4.94	49.68	1.84	1804.40

Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6044.9	5982.1	6026.3	6020.4	5998.4	6015.6	6020.3	6022.9	6044.9	5968.3
FTSE 250	5458.8	5433.8	5434.9	5441.8	5439.0	5432.6	5430.4	5436.2	5458.8	5428.9
FTSE 350	2889.3	2862.1	2879.9	2878.1	2869.0	2875.5	2877.1	2878.6	2889.3	2857.1
FTSE SmallCap	2386.63	2382.90	2381.97	2382.32	2382.47	2382.58	2382.21	2381.98	2389.76	2381.61
FTSE All-Share	2800.17	2774.81	2791.15	2789.54	2781.20	2787.15	2788.58	2790.00	2800.17	2770.23

Time of FTSE 100 Day's high: 9:03:00 Day's low: 9:53:15. FTSE 100 1998/99 High: 6335.7 (11/03/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:03:00 Day's low: 9:54:00. FTSE All-Share 1998/99 High: 2908.30 (11/03/99) Low: 2168.07 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	1,285	918	−7½
AMVESCAP	1,500	600½	−19½
ASDA Group	30,690	153½	+2½
Abbey National	2,837	1212	−11
Alliance & Leicester	1,867	850½	−10½
Allied Domecq	7,208	483	−2½
[illegible]			

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Mar 24) 1 € = 13.76030 Sch

BELGIUM/LUX (Mar 24) 1 € = 40.33990 Frs.

FINLAND (Mar 24) 1 € = 5.94573 Mka

FRANCE (Mar 24) 1 € = 6.55957 Frs.

GERMANY (Mar 24) 1 € = 1.95583 Dm

IRELAND (Mar 24) 1 € = 0.78756 Punt

ITALY (Mar 24) 1 € = 1936.27000 Lire

NETHERLANDS (Mar 24) 1 € = 2.20371 Fl.

PORTUGAL (Mar 24) 1 € = 200.48200 Esc.

SPAIN (Mar 24) 1 € = 166.38600 Pts.

EUROPE (NON-EMU)

CZECH REP (Mar 24 / Koruna)

DENMARK (Mar 24 / Kr)

GREECE (Mar 24 / Drachma)

NORWAY (Mar 24 / Kroner)

POLAND (Mar 24 / Zloty)

SWEDEN (Mar 24 / Kronor)

SWITZERLAND (Mar 24 / Frs.)

TURKEY (Mar 24 / Tk Lira)

PACIFIC

JAPAN (Mar 24 / Yen)

HONG KONG (Mar 24 / H.K.$)

INDONESIA (Mar 24 / Rupiah)

MALAYSIA (Mar 24 / MYR)

NEW ZEALAND (Mar 24 / NZ $)

SINGAPORE (Mar 24 / S$)

SOUTH KOREA (Mar 24 / Won)

TAIWAN (Mar 24 / TW $)

THAILAND (Mar 24 / Baht)

AUSTRALIA (Mar 24 / Aust$)

AMERICAS

CANADA

TORONTO (Mar 24 / Can $) 4 pm close

MONTREAL (Mar 24 / Can $) 4 pm close

MEXICO (Mar 24 / Peso) 12.30 pm

AFRICA

SOUTH AFRICA (Mar 24 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 23 1999								MONDAY MARCH 22 1999					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (75)	219.94	1.2	199.88	164.02	232.42	228.92	0.3	3.30	217.39	197.99	162.05	229.58	228.22	219.98	163.86	216.13
Austria (21)	181.18	−1.3	164.66	135.12	168.95	168.95	−1.2	1.99	183.59	167.20	136.86	171.08	171.08	253.73	165.27	212.72
Belgium (22)	363.39	−2.5	330.26	271.00	331.76	331.76	−2.4	2.03	372.65	339.39	277.79	339.99	339.99	446.95	305.26	309.77
Brazil (29)	121.44	−0.8	110.37	90.57	128.34	414.11	−1.4	5.61	122.40	111.47	91.24	129.26	420.18	269.34	89.32	268.60
Canada (113)	204.60	−1.5	185.94	152.58	216.21	223.31	−1.6	1.78	207.77	189.23	154.88	219.42	226.95	248.78	159.94	242.77
Denmark (34)	419.80	0.2	381.52	313.07	443.62	389.40	0.3	1.89	418.78	381.41	312.18	442.26	388.21	537.33	406.62	497.55
Finland (29)	647.89	−0.9	588.81	483.17	741.90	741.90	−0.8	1.59	653.49	595.17	487.15	747.83	747.83	661.25	338.49	370.28
France (74)	314.29	−2.5	285.63	234.39	296.78	296.78	−2.4	2.03	322.36	293.59	240.31	304.20	304.20	354.45	253.86	285.40
Germany (55)	254.21	−2.2	231.03	189.58	237.21	237.21	−2.1	1.66	259.97	236.77	193.80	242.43	242.43	325.61	226.35	264.15
Greece (36)	435.12	−3.8	395.45	324.50	459.81	923.17	−3.4	0.96	452.30	411.93	337.17	477.66	955.98	454.89	211.47	–
Hong Kong, China (66)	326.28	−0.2	296.53	243.33	344.79	324.59	−0.2	3.47	326.86	297.69	243.66	345.18	325.19	362.52	196.64	356.87
Indonesia (24)	45.79	1.7	41.61	34.15	48.39	248.59	1.1	1.17	45.01	40.99	33.55	47.53	245.76	64.52	19.04	53.06
Ireland (14)	546.55	−1.0	496.72	407.60	556.60	556.60	−1.0	1.85	552.26	502.97	411.68	562.05	562.05	605.85	398.15	520.71
Italy (53)	168.74	−2.0	153.35	125.84	223.92	223.92	−1.9	1.51	172.13	156.77	128.32	228.28	228.28	192.64	128.88	154.32
Japan (445)	112.06	−0.5	101.84	83.57	118.42	83.57	−0.5	0.88	112.66	102.60	83.98	118.97	83.98	113.43	76.83	99.76
Mexico (29)	1384.40	−1.6	1258.17	1032.44	1462.96	14651.97	−1.9	1.71	1406.57	1281.04	1048.53	1485.42	14832.76	1733.73	787.15	1667.52
Netherlands (26)	492.32	−2.2	447.43	367.15	454.42	454.42	−2.1	2.07	503.39	458.46	375.25	464.34	464.34	562.73	394.92	481.06
New Zealand (18)	63.89	0.7	58.07	47.65	67.52	63.10	−0.1	3.80	63.43	57.77	47.29	66.99	63.17	77.16	45.68	76.45
Norway (37)	236.99	0.0	215.38	176.74	250.44	248.67	−0.2	1.94	237.10	215.94	176.75	250.39	249.15	357.71	181.88	332.19
Philippines (22)	91.94	1.2	83.56	68.57	97.16	177.55	1.2	0.83	90.82	82.72	67.70	95.91	175.39	108.98	42.48	104.81
Portugal (18)	226.40	0.9	205.76	168.84	285.11	285.11	0.9	1.15	224.48	204.45	167.34	282.51	282.51	299.39	194.13	–
Singapore (40)	211.01	−0.7	191.77	157.38	222.98	168.32	−0.6	1.55	212.55	193.58	158.44	224.46	169.30	243.04	102.45	240.44
South Africa (34)	207.33	−1.2	188.42	154.62	219.09	282.54	−0.2	3.41	209.83	191.10	156.42	221.59	283.15	346.20	151.55	288.09
Spain (30)	369.05	−2.3	335.40	275.22	426.90	426.90	−2.3	1.63	377.83	344.11	281.66	436.78	436.78	435.19	290.81	367.48
Sweden (43)	508.69	0.0	462.30	379.36	537.55	616.88	−0.2	2.00	508.85	463.43	379.32	537.37	618.07	628.19	379.18	561.75
Switzerland (30)	386.14	−1.7	350.93	287.97	408.05	349.97	−1.9	1.22	392.97	357.90	292.94	415.00	356.84	441.65	307.73	390.82
Thailand (26)	24.87	−0.1	22.60	18.55	26.28	36.17	−0.3	2.41	24.90	22.68	18.56	26.29	36.27	33.68	8.15	33.66
United Kingdom (202)	386.61	−1.2	351.36	288.32	408.54	351.36	−1.4	2.71	391.28	356.34	291.67	413.19	356.34	401.84	307.96	390.28
USA (609)	520.27	−2.6	472.83	388.00	549.79	520.27	−2.6	1.28	534.37	486.68	398.35	584.33	534.37	542.89	390.12	447.16
Americas (780)	461.92	−2.6	419.81	344.49	488.13	392.07	−2.6	1.32	474.20	431.87	353.49	500.78	402.52	481.42	347.59	405.78
Europe (724)	349.25	−1.7	317.40	260.46	369.07	332.22	−1.8	2.06	355.25	323.54	264.82	375.16	338.13	386.24	282.63	343.63
Eurobloc (342)	99.14	−2.1	90.10	73.94	100.13	100.13	−2.1	1.81	101.32	92.28	75.53	102.27	102.27	113.92	81.53	–
Nordic (143)	495.41	−0.2	450.24	369.46	523.52	519.04	−0.3	1.86	496.58	452.26	370.17	524.41	520.59	555.97	380.04	488.84
Pacific Basin (716)	119.54	−0.3	108.65	89.15	126.33	92.01	−0.4	1.34	119.95	109.24	89.41	126.67	92.36	120.45	82.88	111.43
Euro–Pacific (1440)	214.75	−1.3	195.17	160.15	226.94	182.18	−1.3	1.84	217.51	198.09	162.14	229.70	184.63	221.79	166.00	208.19
North America (722)	498.85	−2.5	453.35	372.02	527.16	499.75	−2.6	1.30	512.18	466.46	381.80	540.89	513.12	519.90	374.92	434.19
Europe Ex. UK (522)	319.69	−2.0	290.54	238.41	337.83	313.03	−1.9	1.72	326.04	296.94	243.05	344.32	319.20	366.32	260.93	310.29
Europe Ex. Eurobloc (382)	97.19	−1.2	88.33	72.48	102.71	98.72	−1.4	2.32	98.39	89.61	73.34	103.90	100.12	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	94.39	−1.3	85.79	70.40	99.75	94.95	−1.4	1.46	95.62	87.09	71.28	100.98	96.31	109.21	75.16	–
Pacific Ex. Japan (271)	194.87	0.5	177.10	145.32	205.92	198.45	0.0	3.19	193.98	176.65	144.69	204.83	198.35	216.04	128.28	214.29
World Ex. Eurobloc (1912)	108.40	−2.0	98.51	80.84	114.55	107.55	−2.0	1.51	110.59	100.72	82.44	116.79	108.77	111.15	83.09	–
World Ex. US (1645)	214.18	−1.3	194.65	159.73	226.33	187.26	−1.3	1.86	216.95	197.59	161.73	229.11	189.79	221.91	165.95	212.17
World Ex. UK (2052)	305.75	−2.1	277.87	228.02	323.10	276.73	−2.1	1.42	312.31	284.44	232.81	328.82	282.68	314.12	236.11	278.24
World Ex. Japan (1809)	412.86	−2.2	375.31	307.97	436.40	408.17	−2.2	1.64	422.20	384.52	314.73	445.87	417.44	427.99	320.58	381.34
The World Index (2254)	312.73	−2.0	284.22	233.22	330.48	283.64	−2.0	1.55	319.14	290.65	237.90	337.03	289.52	320.63	242.36	287.69

Emerging markets: IFC investable indices

Dollar terms

Mar 23 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	790.86	−0.3	−2.1
Brazil	252.18	−0.8	−8.3
Chile	505.08	−0.4	+11.9
Colombia[1]	378.05	−0.3	−14.0
Mexico	576.20	−1.6	+19.7
Peru[2]	139.44	−1.1	+3.8
Venezuela[3]	344.04	−2.8	−24.1
East Asia			
China[4]	25.32	+0.7	−3.3
India[7]	79.10	+1.0	+23.2
Indonesia[6]	22.43	+1.9	−7.4
Korea[6]	56.84	+1.0	+7.2
Malaysia	76.29	−0.8	−13.8
Pakistan[9]	107.07	−0.1	+13.2
Philippines	126.86	+1.1	+3.1
Sri Lanka[10]	64.97	−0.7	−21.1
Taiwan, China[8]	126.83	−2.0	+9.5
Thailand	62.78	+0.1	−0.6
Europe			
Czech Rep	42.70	−1.1	−15.9
Greece	761.41	−3.8	+26.2
Hungary[11]	236.10	−2.7	−15.9
Poland[12]	512.80	+0.5	−2.1
Portugal	258.03	+0.9	−11.8
Russia	39.59	−0.8	+68.8
Slovakia	35.59	+0.1	−18.4
Turkey[14]	212.90	−0.7	+45.5
Mideast/Africa			
Egypt	70.40	−0.4	+9.2
Israel	119.39	−0.1	+16.8
Jordan	233.48	+0.2	+7.8
Morocco	155.86	−1.1	−7.0
S Africa[13]	146.52	−1.4	+17.0
Zimbabwe[15]	126.85	+1.4	+20.4
Regions			
Composite	202.98	−0.9	+8.7
Latin America	438.04	−1.0	+4.4
Asia	114.20	+0.1	+8.7
EMEA	130.27	−1.4	+14.0
Europe	189.99	−1.7	+13.5
Eastn Europe	80.33	−1.0	+3.8
ME & Africa	61.45	−1.1	+14.6
Comp + Malay	203.05	−0.9	+7.2
Asia + Malay	110.83	−0.1	+2.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1988; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

Latest indices were unavailable for this edition.

SE

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 24

- A -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
32 1/16	14 7/8	AAR	0.34	2.0	12	1487	18 1/4	15 7/8	16 5/8	+5/8
58 1/4	28 1/8	AMP	1.08	2.0		7964	54 5/8	53 5/8	54 1/8	+1/8
89 5/8	45 11/16	AMR			7	12505	56 1/2	55	56 1/4	+1/2
26 5/8	13 5/8	ASA	0.60	3.5	11	260	17 1/16	17	17 1/8	+1/8
51 1/2	32 1/2	AT&T	0.60	1.3	30	17380	47 1/16	46 3/4	47 1/16	+1/4
16 1/2	7 5/8	Abbey x	0.40	4.9	4	409	9 3/16	9 1/8	9 1/8	
37	25	ABM Ind	0.56	2.2	15	123	26 1/8	25 3/4	25 3/4	-1/16
25 3/4	13 5/8	Acceptsin			6	29	15 1/8	15	15	
43	24 1/2	ACE Ltd	0.36	1.1	8	1181	31 5/8	31 1/8	31 1/4	
11 1/2	7 5/8	ACM Gvt In	0.90	10.6	9	270	8 1/2	8 1/2	8 1/2	
8 7/16	7 1/4	ACM GvOpp	0.63	8.5		181	7 5/8	7 1/2	7 5/8	
10 3/8	7 5/8	ACM Mun	1.02	11.6		259	8 13/16	8 3/4	8 3/4	
6 1/4	3 1/2	Acme Elect			8	12	4 1/2	4 1/2	4 1/2	+1/4
10 5/8	1/4	Acme Mills				20	[illegible]	[illegible]	[illegible]	+1/32
29 5/8	19 5/8	ACNielsen			28	2447	26 1/8	24 7/8	25 13/16	+1
30 11/16	12 5/8	Acuson			20	1075	14 13/16	14 1/4	14 3/4	
28 1/4	21 1/2	Adams Expr	0.55	2.0	1	478	26 1/16	26 5/8	26 11/16	+1/16
33	12 1/4	AdvMar				9017	15 5/8	15 1/4	15 3/8	+1/8
33 1/4	14 1/8	Advest Grp	0.16	0.8	8	146	20 1/8	19 5/8	20	
33 5/8	16 1/16	AdvO Inc			10	1631	18 1/8	17 5/8	18	
130 1/8	34 1/4	Aegon	1.37	1.5	38	1352	94 3/8	92 1/16	92 1/4	-2 1/16
19 1/4	6 1/2	AeRb				456	12 3/4	12 1/16	12 1/2	-1/16
72 1/2	22	Aero-V	0.88	1.5	16	1301	57 1/16	57 1/16	57 1/16	-1/16
58	23	AES Corp			22	7869	38 5/8	36 3/4	36	-1/16
81 1/16	60 1/4	Aetna	0.80	1.0	14	4889	81 1/4	80 1/4	80 11/16	+1/16
51 1/4	22 1/2	AffCom			23	942	36 5/8	35 3/4	36 1/4	-1/4
52 15/16	22 11/16	Aflac	0.26	0.5	28	5432	52 11/16	51 1/16	51 1/2	-1/16
30 1/2	5 1/4	AGCO	0.04	0.6	8	3616	6 1/8	6 1/16	6 5/16	-1/16
23 1/4	17 11/16	AGL Res	1.08	5.6	15	810	18 5/8	18	18 5/8	+1/2
45 1/2	39	AirPrC	0.68	2.1	13	7349	33 1/2	32 1/2	33 1/16	+1/16
42 7/8	14 1/4	Airbux Frt	0.16	0.6	10	3406	29 1/4	28 1/16	28 5/8	-1/8
18 1/2	8	Airgas			22	541	8 5/8	8 1/8	8 1/2	+1/8
14 1/2	12 1/4	AirLease	1.64	13.1	12	68	12 1/16	12 1/4	12 1/2	+1 1/4
99 3/4	40 1/2	AlrTch				12812	87 1/2	85 1/4	87 1/2	

[illegible]

- B -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
28 1/16	14 7/8	BSteel	1.73	6.6	10	11866	20 1/16	20	20 1/16	-1/8
181 1/4	79 1/2	BT	3.44	2.1	70	192	160 5/8	159	160	-1/8
20	12 1/16	BrwnGp x	0.40	3.0	9	209	13 5/8	13 1/8	13 5/8	
16	5 1/4	BrwnSh				184	5 5/8	5 5/16	5 1/2	-1/8
71	48	BrnFmA x	1.18	2.2	19	22	55 1/2	54 1/8	54 1/8	-1/8
77 1/4	51 1/4	BrnFmB x	1.18	2.0	20	333	58 1/2	58 1/8	58 7/16	-1/2
39 1/2	26 1/4	BrFerr x	0.76	2.0	19	11556	38 7/8	38 1/8	38 1/4	+1/8
8 5/8	5 7/8	BRT			5	17	6 1/2	6 1/2	6 1/2	
35 1/2	12	Brnswk	0.50	2.7	10	3389	18 5/8	18 1/8	18 1/4	+1
30	10 1/2	Brush Well x	0.48	3.2		87	15	14 3/4	14 3/4	-1/8
31	25 1/4	Buckeye Pt	2.10	7.8	13	191	27 1/4	26 1/2	27	-1/4
25 3/8	11 1/4	BuckeyeTch			9	1614	14 1/4	13 3/4	13 3/4	-1/8
20 1/16	6 5/8	BrwADR				956	13 1/2	13 1/4	13 1/16	-1/16

- E -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
33 1/4	18 5/8	EG&G	0.56	2.1	11	1363	26 5/8	25 1/2	26 1/4	-1/8
37 1/4	20 1/4	Eastgrp	0.16	0.7	19	285	22 5/8	22 1/8	22 1/8	-1/8
31 1/2	23 1/2	East Utils	1.66	5.9	16	72	28 1/2	28 1/8	28 1/2	
45 5/8	37 1/8	E Enterpr x	1.68	4.5	16	499	37 5/8	37 1/4	37 1/16	+1/16
72 1/2	40 1/2	EastCh x	1.76	3.9	14	1415	46 1/2	45 1/2	45 5/8	-1/8
88 1/2	57 1/2	Ekodak x	1.76	2.7	15	6939	65 1/2	65	65 1/8	-1/2
99 5/8	57 1/2	Eaton	1.76	2.6	13	1118	67 1/2	67 1/16	67 1/2	+1/8
41 1/4	26 1/4	Ecolab x	0.42	1.1	32	3084	37 5/8	36 3/4	37 1/16	+5/8
31	24 1/2	Edisnd	1.08	4.3	13	9057	25 1/4	24 1/2	25	+1/4
48 1/2	22 5/8	EdwdAG x	0.60	1.9	10	3016	32 1/4	30 7/8	31 1/2	-1/8
6 5/8	2 1/2	Elsco Group				166	3 5/8	3 1/2	3 5/8	
87 3/4	48 1/4	Elan ADR				13212	73	68 1/4	68 15/16	-3 1/2
38 1/4	19 1/2	Elcor Corp	0.28	0.8	20	472	34 11/16	34 1/4	34 1/2	-1/4

[illegible]

- X - Y - Z -

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
63	33 1/4	Xerox x	0.80	1.5	21	24044	53 5/8	52 1/16	52 1/4	-1/4
63 5/8	36 1/2	XL Cap	1.76	3.1	9	1579	57 1/4	57	57 1/8	+1/4
66 1/4	37 1/2	Xtra Corp			9	123	38 1/4	38	38	-1/4
31 1/4	22 1/2	Yankee Egy x	1.39	6.1	20	143	23	d22 1/2	22 5/8	-1/4
52 1/4	27 1/2	York Int x	0.60	1.7	10	1571	35	34	34 3/8	+1/8
24 1/2	6 1/2	Zapata			3	843	9 1/4	8 5/8	8 3/4	-1/4
50	31	Zeneca	0.80	1.9	34	2379	43 1/16	42 3/4	43 1/16	+1/8
30 1/2	20 1/4	Zenith Nat	1.00	4.1	19	4	24 1/4	24 1/4	24 1/4	-1/16
8 1/4	5 7/8	Zenix Inc v	0.67	11.2		314	6	5 7/8	6	+1/8
14 1/4	9 5/8	ZweigFd	1.20	11.6		543	10 1/8	10 1/16	10 1/8	-1/16
9 1/2	8 1/2	Zweig Tot v	0.84	10.1		844	8 1/8	8 1/4	8 5/16	+1/16

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 23	Mar 22	Mar 19	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9671.83	9890.51	9903.55	9997.62 (18/3/99)	7539.07 (31/8/98)	9997.62 (18/3/99)	41.22 (8/7/32)
Home Bonds	104.14	104.24	104.49	107.17 (9/12/98)	104.13 (25/2/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3185.11	3275.68	3338.48	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	299.95	303.22	303.94	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9897.72 (10005.99) Low 9593.85 (9796.99) (Theoretical)
Day's high 9881.08 (9934.63) Low 9632.71 (9874.97) (Actual)

Standard and Poors	Mar 23	Mar 22	Mar 19	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1282.14	1297.01	1299.29	1316.55 (18/3/99)	927.69 (9/1/98)	1316.55 (18/3/99)	4.40 (1/6/32)
Industrials¶	1514.19	1556.42	1559.09	1578.98 (18/3/99)	1077.40 (9/1/98)	1578.98 (18/3/99)	3.52 (30/6/32)
Financial¶	138.13	142.22	142.37	147.68 (14/7/98)	95.80 (8/10/98)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	595.45	610.49	610.66	617.61 (18/3/99)	477.20 (8/10/98)	617.61 (18/3/99)	4.64 (25/4/42)
Amex Comp	703.32	717.36	711.67	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2322.84	2395.92	2421.27	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	383.37	393.20	396.58	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/83)

RATIOS

	Mar 19	Mar 12	Mar 5	Year ago
Dow Jones Ind. Div. Yield	1.60	1.60	1.59	1.57
	Mar 17	Mar 10	Mar 3	Year ago
S & P Ind. Div. yield	1.11	1.12	1.17	1.39
S & P Ind. P/E ratio	40.63	40.71	38.32	29.80

US DATA

MARKET ACTIVITY

● Volume (million)	Mar 23	Mar 22	Mar 19
NYSE	818 980	662 440	922.200
Amex	30.209	26.300	29.757
NASDAQ	980 523	879 481	1060.48

NYSE	Mar 23	Mar 22	Mar 19
Issues Traded	3,521	3,526	3,559
Rises	668	1,213	1,167
Falls	2,341	1,731	1,813
Unchanged	512	582	579
New Highs	18	42	60
New Lows	143	105	95

NYSE TRADING ACTIVITY
Volume : 818,980,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
AmOnLine	21,692,700	121¼	-8⅞
Compaq	18,144,600	30¾	+¾
AT&T	10,031 400	77⅛	+⅛
BellSth	8,474,000	42¼	-2⅛
PhilMorr	8,139,800	40½	-1⅜
LucentTch	7,983,500	100⅛	-[illegible]
WarLam	7,564,100	67½	+⅛
Txinst	7,057,500	91	-9¾
Disney	6,363,300	33	-1⅛
MedOne	6,335,100	67½	-1⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Revlon A	16⅞	+3⅛	+22.7
Oxford Ind	24⅛	+2⅛	+11.3
BectnD	38⅛	+2⅛	+8.8
URS	16⅞	+1	+6.3
Downs			
TxInst	91	-9¾	-9.7
Nowco	41⅛	-3⅛	-8.5
CoastCp	23	-2⅛	-8.5
Granite	21⅛	-1⅞	-8.3

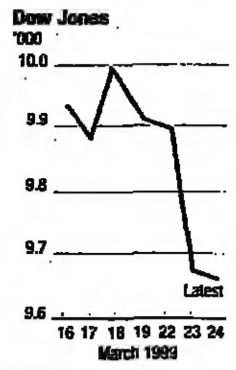
NASDAQ TRADING ACTIVITY
Volume :980,523,800

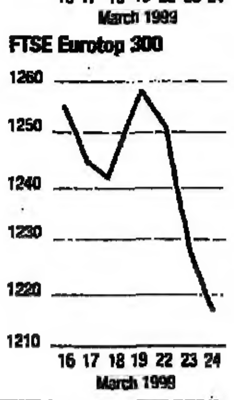
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
DellCmp	60,712,300	35⅛	-2⅛
PthGenex	22,038,600	12⅛	-22⅛
Micsft	16,767,700	165⅛	-8⅛
Intel	16,677,700	114⅛	-⅛
MCIWcm	15,465,700	86	-2⅛
Oracle	14,786,600	26⅛	-1⅛
CiscoSys	13,120,800	100⅛	-2⅛
EricsnB	12,571,900	22⅛	+⅛
Egghead	11,221,300	20⅛	+1⅛
3Com	11,127,800	23⅛	-⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
RenalCr	17⅛	+2⅛	+15.0
ICOS Cp	37	+3⅛	+11.1
Egghead	20⅛	+1⅛	+10.6
Mirotch	19⅛	+1⅛	+9.6
Downs			
PthGenetc	12⅛	-22⅛	-64.9
CYTYC	10⅛	-4⅛	-30.1
SCM Micro	71	-12⅛	-15.1
Chrd	14⅛	-2⅛	-13.6





JAPAN

	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	15515.47	16019.10	closed	17264.3	12830	38915.9	85.25

Day's high 15947.57 Day's low 15515.47

TOKYO TRADING ACTIVITY
Volume : 685,370,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Fujitsu	19,047,000	1750	+100
Sakura	11,068,000	350	+1
FujiBk	10,727,000	696	-39
SumiBk	10,438,000	151	-7
MSHvy	9,295,000	511	+2
Nomura	9,021,000	1364	-76
NikkoS	8,758,000	535	-33
MitTrB	8,607,000	177	-17
Tshiba	8,451,000	790	-40
NKK	7,403,000	75	-4

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Daiei	358	+33	+10.2
DaiwaS	173	+13	+8.1
Shimk	11050	+800	+7.8
Downs			
Kawkin	236	-39	-14.2
Nkadoa	56	-7	-11.1
NipRoad	190	-22	-10.4
FjiFim	4370	-500	-10.3
Rp Oil	412	-47	-10.2

FRANCE

	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4058.16	4079.47	4197.06	4388.48	2862.54	4388.46	984.61

Day's high 4065.31 Day's low 3995.70

PARIS TRADING ACTIVITY
Volume : 846,356,670

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
FrTele	3,838,151	74	-1.2
RhonPA	1,800,694	42.8	-0.1
Axa	1,786,731	121.2	-1.6
Rnault	1,724,441	31.5	-0.6
Alctel	1,367,323	103.8	-2.2
EtAqu	1,205,413	119	-1
TotalB	1,168,770	105.4	-0.6
Vivndi	1,093,275	225.5	-2.5
BNP	814,412	76.8	-1.15
Lgardr	905,322	28.4	-1.6

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Dexia	126	+8.2	+7.0
Bygues	217.3	+11.5	+5.6
SodxAl	146.4	+6.8	+4.9
GrdVsn	23.3	+1.05	+4.7
Downs			
GpPart	62.6	-5.0	-7.4
Lapeyr	55.1	-3.75	-6.4
GzEaux	37.55	-2.45	-6.1
Lgardr	28.4	-1.6	-5.3

GERMANY

	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4780.13	4915.03	5027.06	6171.43	3896.08	6171.43	931.18

Day's high 4835.04 Day's low 4757.90

FRANKFURT TRADING ACTIVITY
Volume : (m)

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Luftfin	391,384	19.8	-0.5
DmlrCh	373,973	78.1	-3.15
CmrzBk	372,435	28.85	-0.85
Dt Bk	313,584	48.75	-1.15
Siemns	275,460	58.7	-3
Bayer	271,237	34	-1.05
Dt Tel	270,216	30.9	-0.65
BASF	256,389	32.6	-1.05
WCM	223,300	19	+0.4
VW	202,728	55.15	-1.95

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
GrohPf	222	+10	+4.7
Dr Bab	45	+1.5	+3.4
SAP	244	+7.5	+3.2
PrsseP	2130	+50	+2.4
Downs			
ZnFpap	50	-3.5	-6.5
MAN Pf	17.2	-1	-5.5
Altana	58.1	-3.3	-5.4
MAN	24.75	-1.37	-5.2

UK

	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6016.7	6060.5	6152.8	6335.7	4648.7	6335.7	986.9

Day's high 6060.5 Day's low 5968.3

LONDON TRADING ACTIVITY
Volume : 1,157,100,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Tesco	38,757,840	170½	+4½
Shell T&T	35,361,960	396¾	-9¼
ASDA	30,629,550	153½	+2½
Centrica	24,300,840	108	-1¼
BP Amoco	18,021,430	899	-3
BTR Siebe	18,005,690	271	-6
BT	17,297,420	983	-21
Vodafone	14,611,010	1021	-7
Prudential	12,055,710	799	-1
Unilever	11,972,400	555	-10

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Helical Bang	145	+50	+52.6
City Centre	62½	+13	+26.3
Base	7½	+1½	+25
Oxford Mlcr	41	+7	+20.6
Downs			
Sm Bus Srvs	2½	-¾	-21.4
Kenwood	76	-19	-20
Northern Pet	1¼	-¼	-18.7
Viglen Tech	39½	-7	-15.1

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1308.50	1271.60	-0.70	1277.50	1267.60	123,426	363,145
Sep	1302.80	-	-	-	-	207	4,592
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Jun	15800.0	15530.0	-450.0	15860.0	15500.0	40,305	203,051
Sep	15820.0	15500.0	-450.0	15830.0	15500.0	559	3,785

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Mar	4042.5	4047.0	-38.0	4056.5	4002.0	92,727	134,298
Apr	4036.0	4049.0	-38.5	4056.0	4006.5	7,757	12,944
■ DAX							
Jun	4840.0	4810.0	-79.0	4864.0	4767.0	74,337	257,649
Sep	4870.5	4845.0	-98.0	4894.0	4810.0	106	979

■ OMX	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Mar	707.25	703.00	-9.50	707.25	698.25	57,452	71,366
Apr	707.00	701.50	-10.75	707.00	697.50	55,521	56,220
■ EUREX							
Jun	6920.0	6859.0	-97.0	6923.0	6843.0	38,989	102,390
Sep	6898.0	6877.0	-108.0	6927.0	6877.0	73	3,689

WORLD MARKETS AT A GLANCE

Country	Index	Mar 24	Mar 23	Mar 22	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	16934.82	16948.30	17039.00	23495.50 23/3/98	12303.18 10/9/98	4.0	13
Australia	All Ordinaries	2965.7	2987.6	2965.5	2992.20 16/3/99	2458.20 1/9/98	2.8	23.9
	All Mining	567.0	575.6	575.6	713.10 23/4/98	499.80 31/8/98		
India	BSE Sens.	3682.69	3757.50	3713.18	4280.96 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	749.95	751.85	749.73	815.82 21/4/98	557.08 20/10/98		
Indonesia	Jakarta Comp.	391.34	394.81	392.28	594.19 2/2/98	256.83 21/9/98	3.7	21.6
Portugal	BVL 30	4523.12	4551.79	4510.22	6776.89 22/4/98	3599.68 2/10/98	2.2	25.1
	PSI 20	10436.75	10507.21	10407.89	14253.00 22/4/98	8114.51 2/10/98		
Russia	RTS	76.62	80.98	81.98	411.81 5/1/98	38.53 5/10/98	na	na

Ended lower in dull trading. BHP gained ground ahead of tomorrow's results statement.
Ended lower with sentiment unnerved by news of possible resignation of stock exchange president.
Sent lower by Wall Street's steep overnight slide.
Stocks tumbled on political concerns arising from the Kosovo crisis.

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THE NASDAQ-AMEX MARKET GROUP

4 pm close March 24

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AMEX

4 pm close March 24

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EASDAQ

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STOCK MARKETS

Investors reflect sombre political backdrop

WORLD OVERVIEW

Wall Street's inability to tackle convincingly the 10,000 point barrier on the Dow and the US market's overnight pull-back – its third in as many sessions – knocked the wind out of equity market sails, *writes Michael Morgan.*

Add in political tensions in Asia – as suspected North Korean ships intruded into Japanese territorial waters – and Nato's preparations to launch air strikes against Yugoslavia, and the stage was set for a sombre performance in the share markets.

Tokyo and Hong Kong duly obliged with sharp falls. Tokyo lost 3.1 per cent as foreign buying was unable to keep up with the volume of local selling. One Asian specialist noted that financial year-end preparations remained the market's driving force. But he believed that an April rally was still on the cards, with many investors keen to switch holdings from the US.

Hong Kong, which had clung to a rallying Nikkei's coat-tails, found no good reason to let go as the Japanese market retreated. The Hang Seng index finished 3 per cent lower.

European markets also took some knocks but most of the big markets closed off their lows. Amsterdam finished with a loss of 1.9 per cent while Frankfurt gave up 1.5 per cent.

Some of the smaller markets were harder hit by the chill winds blowing from Kosovo.

Moscow tumbled 5.1 per cent, still unsettled by the decision by Yevgeny Primakov, the prime minister, to abandon a visit to the US. Warsaw was another 5 per cent loser while Athens, down 3.2 per cent on Tuesday, lost 4.6 per cent. Istanbul gave up 2.2 per cent.

Wall Street, on the day, offered little in the way of a lead. By the time Europe closed, the Dow was trading marginally higher as news that durable goods orders fell 5 per cent in February provided some assistance.

The Standard & Poor's 500, meanwhile, stood at 1,265 as Abby Joseph Cohen, Goldman Sachs chief market strategist, raised her 1999 target for the index to 1,325, based on an improved outlook for corporate profits.

This optimistic forecast contrasts with the view of sceptics, doubtful about corporate profits, who believe the US is heading for a significant correction.

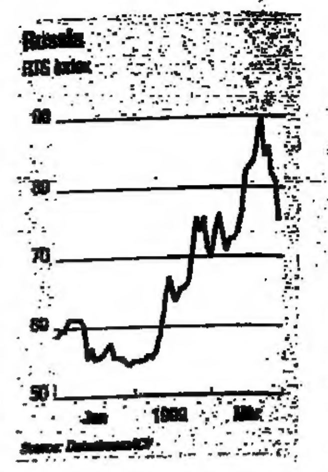
Ms Cohen, one of Wall Street's most prominent bulls, previously expected the benchmark index to hit a range of 1,275-1,300 by the end of this year.

But she expects 1999 and 2000 to be years of continuing profit expansion, when aggregate gains will be better than in 1998 which was a disappointing year.

EMERGING MARKET FOCUS

Bombs threaten Russian revival

The Russian stock market had been rising strongly this year as a result of the global rebound in emerging markets, higher commodity prices, the growing conviction that the country's assets had been oversold and the increasing likelihood of a stop-gap IMF deal.



But the decision of Yevgeny Primakov, prime minister, to postpone a critical visit to Washington – and the IMF headquarters – on Tuesday because of the increasing tensions over Kosovo could mark a sharp turning point in the market's fortunes. The symbolism of Mr Primakov turning his aircraft round midway across the Atlantic was not lost on foreign investors.

The fear now is that any bombing of Yugoslavia could frustrate an agreement between Russia and the IMF, straining the country's finances to breaking point.

Already the central bank has been forced to print more money to cover urgent budgetary needs, prompting a renewed slide in the rouble this week.

A further downward lurch in the economy could have worrying political implications destroying the fragile equilibrium so carefully crafted by Mr Primakov.

If the Russian government crumbles – as some of its senior ministers are already predicting – then an agreement with the IMF would appear all the more remote.

But Peter Boone, head of research at Brunswick Warburg, suggests that – somewhat perversely – the growing tensions around Kosovo may make an IMF deal more probable. The US administration, which has a big say in whether the IMF agrees a deal, will not want to be seen to be "punishing" Russia for its foreign policy stance, he argues.

"The fact that political relations have deteriorated means that financial relations will improve," Mr Boone says. "If the domestic politics stay calm then this latest dispute [over Kosovo] will not change the likelihood of an IMF agreement."

Trying to predict the future course of Russian politics, though, is a mug's game. Value investors may be tempted to focus more on Russia's underlying fundamentals.

By international standards, Russian assets still appear woefully undervalued: the total market value of the Moscow Times index amounts to about $16bn – or less than 10 per cent of gross domestic product.

John-Paul Smith, Russia analyst at Morgan Stanley Dean Witter, is recommending clients buy the better quality oil companies – such as Lukoil and Surgutneftegaz – and ignore the rest of the market. "When you look at the oil and gas sector on a bottom up basis there has been a massive improvement in operating cash flow as a result of the devaluation," he says.

But even at the micro-level there are risks aplenty. This week's row between Yukos, the giant Russian oil company, and minority shareholders in its daughter companies highlights the glaring imperfections that remain in the country's corporate governance regime.

John Thornhill

Dow weakens again despite hi-tech rises

AMERICAS

US equities moved lower in early trading after a rally in high-tech shares failed to ignite enthusiasm in the broader market, *writes John Labate in New York.*

By midday, the Dow Jones Industrial Average had extended Tuesday's steep 219-point sell-off, slipping a further 16.09 at 9,655.74. The broader Standard & Poor's 500 index was off 3.30 at 1,258.84.

A change in outlook by one of the market's most well-known bulls, Abby Joseph Cohen of Goldman Sachs, failed to rouse sentiment. Ms Cohen raised her expectations for the end of the year performance of the Standard & Poor's 500 index to 1,325 based on her expectations for profits.

"The main factor is we've had some firmness in the bond market on Kosovo and weaker than expected economic numbers," said Bill Meehan, chief market analyst at Cantor Fitzgerald.

A sharp drop in durable goods orders in February provided some support for bond prices in early trading.

Among Dow shares, IBM rose $1⅞ to $167⅜ after it announced a $3bn strategic alliance with EMC, while shares of EMC climbed $2⅞ to $116. Telecoms leader AT&T gained $1¼ at $79⅞ a day after its $8bn debt issue. On the downside, Wal-Mart fell $1½ to $88⅛ and Citigroup $1 to $60⅞.

America Online, down $6⅝ at $115⅛, was the most actively traded stock on the NYSE after Brown Brothers Harriman cut its rating of the shares to "short-term neutral" from "buy".

Many high-tech leaders remained higher at midday, sending the Nasdaq composite index up by less than one point to 2,323.04. Dell Computer rebounded from recent weakness, up $1⅞ or more than 4 per cent to $37⅛ after the company announced a new technology alliance.

Micron Technology gained $2⅝ at $53⅞ after ABN Amro started coverage with a "buy" rating. Motorola shares climbed $⅞ to $70⅞ on news of a $5m Mexican cellular deal.

Gabelli Asset Management rose $⅝ to $16⅝ after Merrill Lynch started the stock as a "near-term accumulate".

Revlon shares shot up 23.7 per cent or $4 to $20⅞ on speculation it was in takeover talks. Smaller company shares had eased, sending the Russell 2000 index down by less than a point to 383.01.

TORONTO pushed higher in early trading thanks to improving energy stocks, notably oils, and a bounce for telecoms leader BCE on the news of links with US giant Ameritech.

Renaissance Energy rose 35 cents to C$18.10 as international oil prices continued to rally. BCE gained 70 cents to C$68.05 while Northern Telecom, in which BCE has a big stake, gained C$1.50 to C$90.

Selected industrials showed solid gains. Alcan Aluminium added 60 cents at C$39.60 and Seagram improved 45 cents to C$71.60.

Golds and banks were dull. Barrick Gold shed 5 cents at C$27.25. Royal Bank of Canada came off 20 cents at C$69.40 and Bank of Montreal 60 cents at C$61.40.

Mexico City reverses three-day losing streak

MEXICO CITY pushed higher in early trading, reversing a three-day losing streak as buyers stepped in to snap up bargains.

"We lost a bit more at the opening bell, but the rally came suddenly around early morning. There has been some genuine buying," said one broker.

The benchmark IPC index, down almost 5 per cent over the preceding three sessions, was up 76.04 or 1.6 per cent at 4,708.11 at midsession in what brokers described as moderate trading volume.

SAO PAULO also rallied after an uncertain start with news of positive foreign investment flows over the past three weeks helping to underpin sentiment. The Bovespa index was up 141 or 1.4 per cent at 10,558.

CARACAS ignored the better trend of international oil prices, concentrating on the negative impact of potential oil production cuts. The IBC index was off 0.86 at 3,669.01.

VW drives Frankfurt lower

EUROPE

Shares in **FRANKFURT** bounced gently off the bottom late in the session to close with the Xetra Dax index down 73.16 or 1.5 per cent at 4,797.33 after a session low of 4,749.90.

Volkswagen lost ground in a generally weak motor sector ahead of today's results conference. Last month VW sent a shudder through the European motor industry when it unveiled buoyant 1998 figures but warned of tougher trading in 1999.

As investors and analysts braced themselves for detail on the likely margin squeeze, the shares gave up €1.07 at €55.79 having backtracked from their January peak of €78.70. DaimlerChrysler came off €2.55 at €78.25 and BMW lost 80 cents at €627.45.

The FTSE Eurotop 300 index fell 11.43 or 0.93 per cent to 1,217.39. See Euro Prices page.

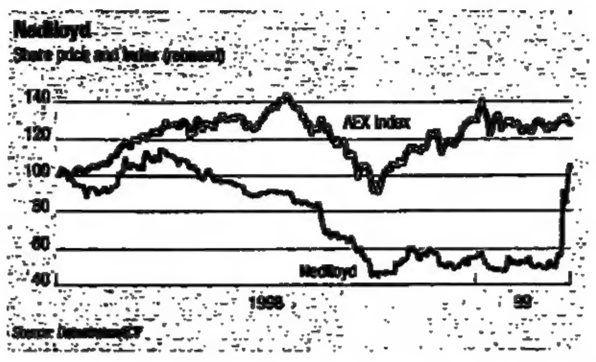
Banks were mixed following Commerzbank's forecast of significantly lower risk provisions this year. Deutsche Bank retreated 37 cents at €49.19 and Commerzbank 57 cents at €26.93. Dresdner added 40 cents at €36.55.

Mobilcom continued to wilt in the Neuer Markt, the market specialising in smaller high-tech shares. The stock fell to its lowest level for four months, slipping €32.50 or 13 per cent to €226.50 ahead of today's annual meeting where approval for a round of capital increases is expected. Elsewhere in the telecommunications sector, Deutsche Telekom shed 97 cents to €36.73 and Mannesmann €2.85 at €110.65.

SAP, a weak market lately with the shares sliding to a 16-month low, rallied ahead of today's results statement, adding €10.70 at €276.

PARIS staged a late recovery and the CAC-40 index closed down 21.31 at 4,058.16 after touching a low for the session of 3,995.70. Volume was boosted to €3bn by monthly settlement activity.

Dexia was top performer, jumping €8.20 or 7 per cent to €126. Good earnings and positive forecasts prompted a series of broker upgrades, with Société Générale setting a price target of €140.



The retail sector benefited from rumours that US giant Wal-Mart and Metro of Germany were looking for takeover candidates in France. Promodès jumped €21 or 4 per cent to €542. Carrefour gained €16.50 to €674.

LVMH rose €5.50 to €242 as it announced plans to bid for Gucci. Analysts said LVMH was a better strategic fit than Pinault-Printemps which last week acquired a 40 per cent stake in Gucci. Shares in Pinault-Printemps lost 60 cents at €139.80.

Merger partners Société Générale and Paribas outperformed following their pledge to more than double the value of the combined entity. Paribas was up 60 cents at €101.50, while Soc Gen held steady at €171.

AMSTERDAM suffered heavy selling of blue chips with Royal Dutch, Unilever, Philips and ABN Amro all underperforming the broad market which ended 6.95 or 1.3 per cent lower at 525.73 on the AEX index.

A broker downgrade and adverse talk of a US takeover combined to send Unilever lower. Lehman Brothers cut its rating from buy to neutral and the shares fell €1.60 to €63.50. Talk that the foods and detergents giant was teeing up a bid for US cosmetics group Revlon hit sentiment.

Philips lost €1.40 at €71.15 in the wake of Tuesday's sell-off for US techs while Royal Dutch shed 90 cents at €47.10 in spite of a further bounce for international oil prices with Brent Blend flirting with $14 a barrel.

ABN lost 55 cents at €18.75 while among other financials Fortis, which releases results today, fell €1.15 or 3.3 per cent to €34. Nedlloyd was again the leading firm feature, rising €1 to €22 for a two-day advance of 23 per cent on plans for the listing of the group's container joint venture with UK shipping leader, P & O.

ZURICH was lower after a cautious day and the SMI index finished 64.6 down at 6,949.0 although turnover held up to SFr3bn.

In the pharmaceutical sector, Roche and Novartis which bucked the negative trend initially, closed mixed. Novartis finished with a loss of SFr10 at SFr2,350.

The share has been under selling pressure for two weeks since publishing 1998 profit figures, but some analysts believe it may now have hit bottom. Roche certificates, beneficiaries of switching, edged up SFr30 to SFr17,680. Financials were mostly lower, with the exception of private bank Vontobel which gained SFr115 to SFr2,685 in further response to Tuesday's news of a sharp rise in net profit for 1998. UBS lost SFr10 to SFr480 and CS Group slipped SFr3 to SFr259.50.

Watchmaker TAG Heuer dropped SFr1 to SFr120 in spite of reporting a 73.5 per cent rise in profit for 1998.

ABB suffered from continued profit-taking, losing SFr17 to SFr1,919. ABB rose sharply in early trade on Tuesday after announcing plans to merge its power generation business with French conglomerate Alstom.

MILAN finished off its lows but more than 1 per cent weaker with the Mibtel index 296 down at 24,345.

Telecom Italia was one of the few Mib30 stocks to end in positive territory, lifted by fresh hopes that Olivetti's bid for the telecoms group could succeed. Telecom Italia put on 3.4 per cent to €9.34 while Olivetti eased 1.7 per cent to €2.76.

MADRID put in a dull performance, with the general index closing down 3.63 at 864.28. Telepizza was a rare firm feature, jumping 40 cents to €7.55 on rumours over an imminent merger.

Written and edited by Michael Morgan, Jeffrey Brown, Florian Gimbel and Peter Hall

Jo'burg rallies on trade data

SOUTH AFRICA

Johannesburg rallied modestly following positive February trade data but the upturn was insufficient to entirely repair damage caused earlier in the session and the all share index ended off 84.1 at 6,463.3.

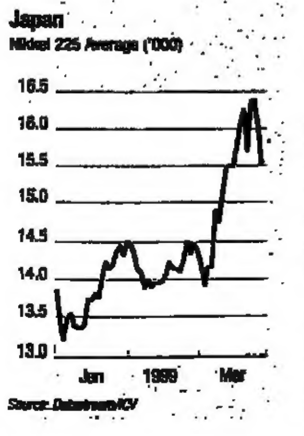
Industrials were heavily sold with South African Breweries losing 100 cents at R54.90, which helped push the industrial index down 94.6 at 7,559.5. Golds brushed aside a better day for bullion, slipping 19.1 to 2,879.2.

Selling wipes out Tokyo gains

ASIA PACIFIC

A bout of selling in Tokyo erased recent gains, sending the Nikkei tumbling more than 500 points as investors sought to fix positions following the rebound, *writes Alexandra Harney.*

Banks and exporters were the heaviest traded stocks, as foreign investors sold technology shares that had been racking up gains recently. The Nikkei 225 benchmark index fell 503.63 or 3.14 per cent to 15,515.47, its low for the day. It climbed as high as 15,947.57 in early trading.



Other indexes slumped. The Topix index of first-section shares slid 2.38 per cent or 30.12 to 1,233.59, and the Nikkei 300, a weighted average, lost 2.7 per cent or 6.87 to 247.43. In the first section, momentum was strongly negative as losing shares outnumbered gaining issues 863 to 318, and 147 shares closed unchanged.

Nomura Securities tumbled ¥76, or 5.3 per cent, to close at ¥1,364 as reports emerged that it would ask banks for ¥100bn in subordinated loans, on top of earlier requests for ¥300bn from a syndicate of several banks.

Standard & Poor's announcement that it was downgrading the broker's debt rating weighed on the shares.

Rival Nikko Securities lost ¥33 to ¥535, and other banks tumbled. Fuji Bank slid ¥39 to ¥696, the Bank of Tokyo-Mitsubishi ¥54 to ¥1,656, and the Industrial Bank of Japan ¥75 to ¥830.

Sanwa Bank slipped ¥40 to ¥1,280 but Sakura Bank ended up ¥1 at ¥350 in heavy trading.

Nissan Motor, the number two carmaker, gained ¥20 to ¥455 on hopes of a fundamental restructuring of its parts makers following the merger of two of its largest components suppliers this week. Clarion, one of it parts suppliers, gained ¥40 to ¥580.

NTT, the leading telecommunications operator, lost ¥50,000 to ¥1,130,000, while NTT Data lost ¥10,000 to ¥1,040,000 in its first decline in seven days. But analysts said there was still strong interest in the stocks.

HONG KONG tumbled 3 per cent, pulled down by overseas markets, and the Hang Seng index finished 329.67 lower at 10,711.34, up from a low of 10,653.67. Turnover picked up to HK$8.6bn.

Heavy selling was seen only in the market's big blue chips, chiefly HSBC Holdings which plummeted HK$7 to HK$233 and Hutchison Whampoa which lost HK$2.25 to HK$60.50.

HSBC had advanced more than 10 per cent since it reported its 1998 results on February 22 and said it would seek a New York stock exchange listing before the year-end. Hutchison is expected to announce a 22 per cent fall in 1998 when it reports results today.

BANGKOK ran into steady selling of bank shares and at the close the SET index was off 5.39 at 360.35. The banks index came off 5.7 per cent as the sector leaders were seen ahead of the economic package the government is due to unveil next week. At Bt2.43bn, turnover was said to be thin. Bangkok Bank fell Bt0.50 to Bt53.50 and Krung Thai a similar amount to Bt13.

WELLINGTON moved lower, hit by Wall Street's overnight slide and concerns ahead of a number of big issues which threaten to soak up NZ$3.5bn – 7 per cent of the total market value – of investor cash in the next few months. NZ Telecom lost 13 cents at NZ$8.97. The 40 capital index came off 33.98 or 1.5 per cent at 2,115.50.

BOMBAY fell sharply on fund selling in the software sector and position squaring ahead of today's market holiday. The BSE-300 composite index fell 74.81 or 1.99 per cent to 3,682.69.

KUALA LUMPUR closed at its lowest level in nearly four months in response to Wall Street's slump and weak corporate earnings. The composite index was down 8.91, or 1.77 per cent, at 494.57, which marked a 500-point decline since November 27.